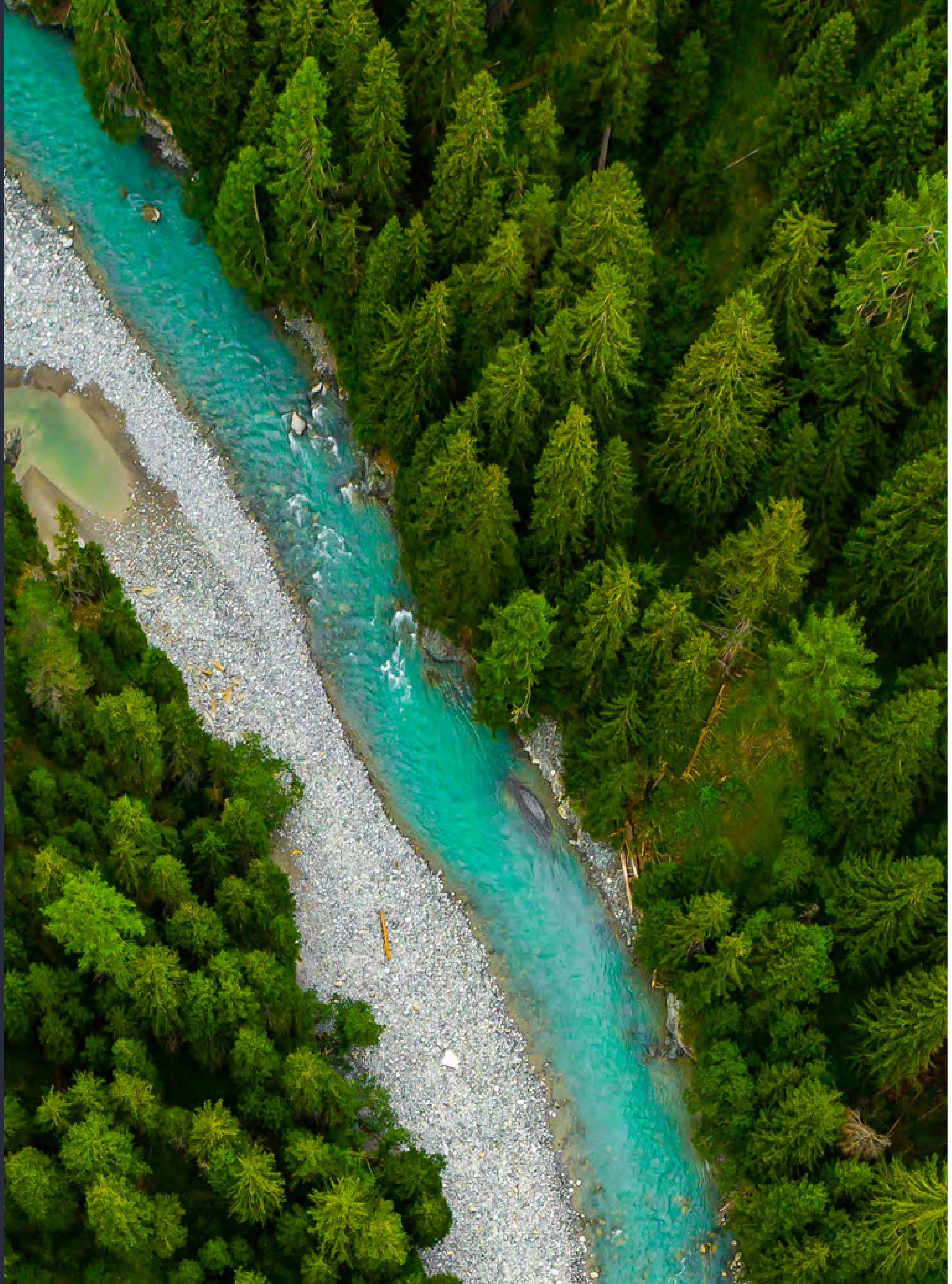

Manulife Investment Management

Stewardship report 2021

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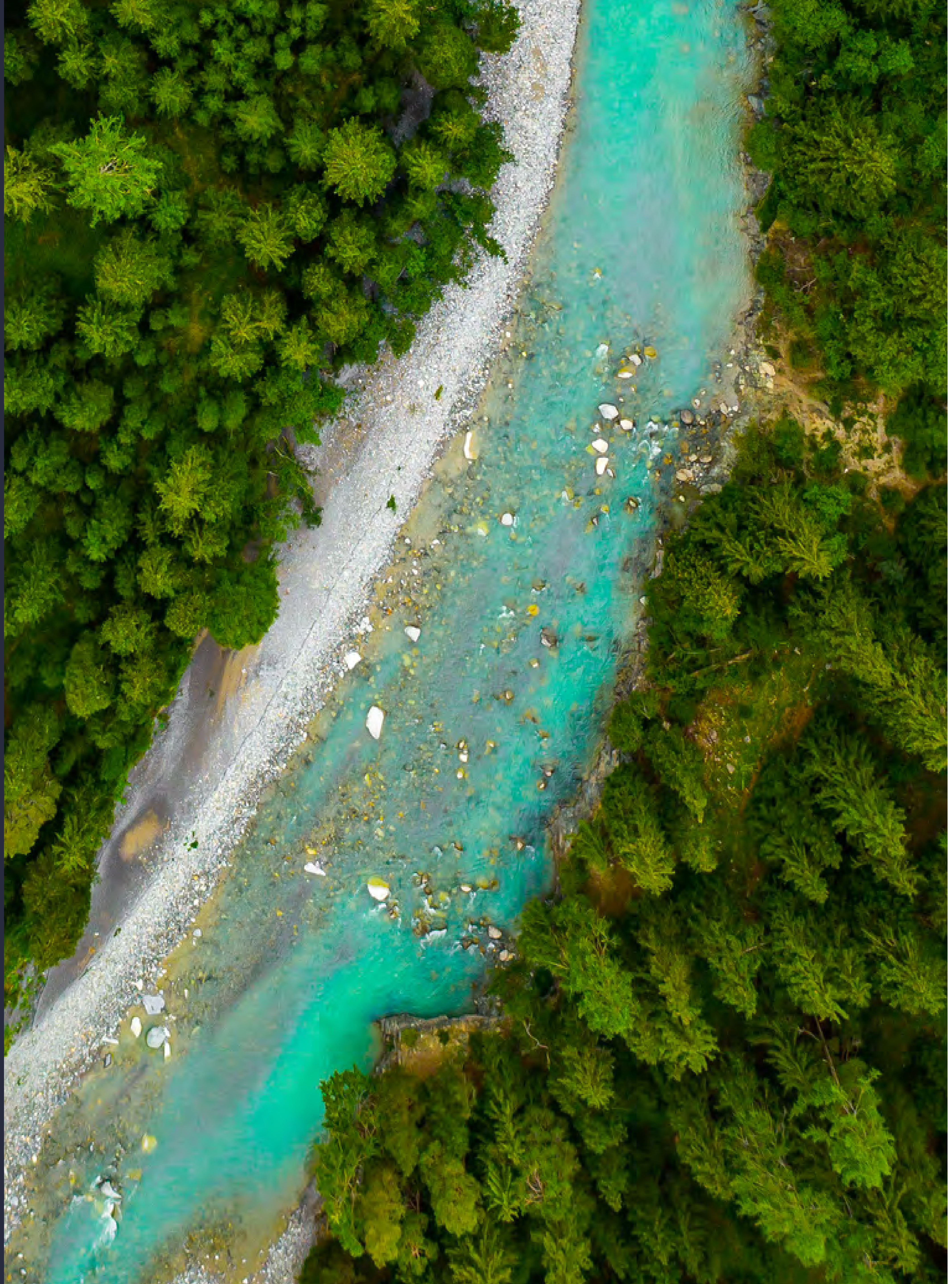

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A *message* from Paul R. Lorentz

At Manulife Investment Management, we understand that pursuing sustainability goals requires asset managers and investors to commit to principles of sustainability through their actions. As evidence of our dedication to sustainable investment across asset classes, we were named to the PRI Leaders' Group 2020—one of only 36 firms from more than 2,400 signatories—for demonstrating a breadth of responsible investment excellence and leading the industry in climate reporting.

Today, we build on that record with this inaugural stewardship report for Manulife Investment Management, assembled not only in response to the newly effective disclosure reporting requirement for signatories to the UK Stewardship Code, but to demonstrate our commitment to stewardship principles in line with codes across a variety of jurisdictions. In North America, we've been a partner in developing financial solutions for 130 years, and we have more than than 120 years of operating history in Asia. But even with this long experience, we strive to find new ways to serve our clients better, including through the enhanced disclosure exemplified by this report.

In line with the 12 stewardship principles outlined by the code, we offer detailed information about our sustainability-focused activities and future plans. We describe the evolution of our culture of stewardship, different facets of our focus on risk management, and the broad set of practices of active ownership that are driven by our client and stakeholder focus. This report foregrounds our belief in the connection between strong stewardship and financial value creation and preservation, and it discloses where we see ourselves on the journey of weaving strong stewardship practices into the fabric of who we are as a company.

As a steward of financial assets across 17 distinct geographies, we think about stewardship as a basic condition of what it means to be a responsible investor and best serve our clients. To us, being a good steward in the financial markets means focusing on the long term, prioritizing the sustainability of our investments and operations, and expanding the view of what matters beyond financial value. Financial value can only exist in conjunction with a network of other values, and to these we hold ourselves accountable, as we do to our clients and the communities in which we live and work.

Paul R. Lorentz
President and CEO
Global Wealth and Asset Management

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To us, strong stewardship is inseparable from good investing

It encompasses the activities we pursue not only to protect the health of individual investments, but also to foster the strength and sustainability of the systems on which those investments depend.

Building resiliency through stewardship

Companies depend on the sustainability of the society in which they operate, of the legal system that sanctions their functioning, of the infrastructure that facilitates their growth, and of the education frameworks and healthcare provisions that condition their continued existence. Most important, companies depend on the continued stability of our planet's ecosystems and the environment in which they're enveloped.

Companies that fail to recognize this mutual dependency risk losing their social license to operate; what's more, corporate failure to act sustainably undermines the stability of the systems that stand as background to their operation. Our role as a steward of a global set and disparate range of financial assets is to help ensure that such failures don't occur—indeed, that the resiliency of both our portfolios and our systemic surroundings should be strengthened.

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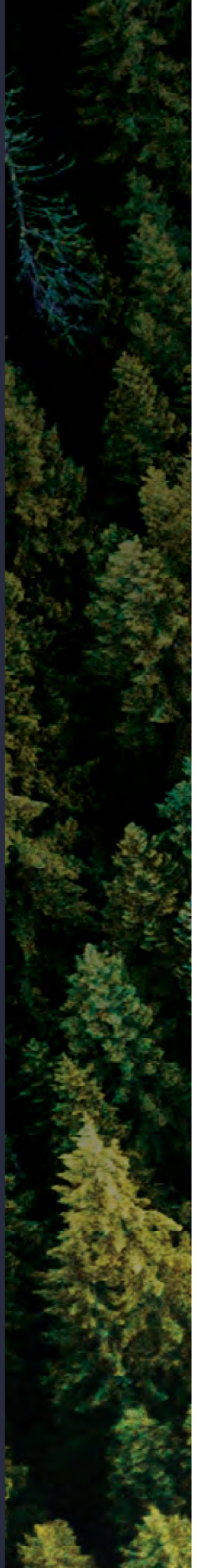


Strong stewardship practices are vitally connected to enhancing the resiliency of our clients' assets, our client relationships, and the health of the markets in which we conduct our asset management responsibilities. Stewardship can make the difference between sustainable governance and persistent shareholder inequities, between the smooth functioning of supply chains and the proliferation of unintended supply chain risks, and between the climate resiliency of company operations and stranded assets that could irreparably damage enterprise value. Without strong stewardship, an investment's integrity can be compromised; in turn, the asset manager/asset owner relationship can suffer, and the smooth functioning of financial markets can break down.

Understanding different stewardship codes

The good news is that as stewardship codes have developed, they've enshrined best practices for companies and asset managers—and these codes continue to evolve on an improving trajectory that enhances the sustainability of the global capital markets.

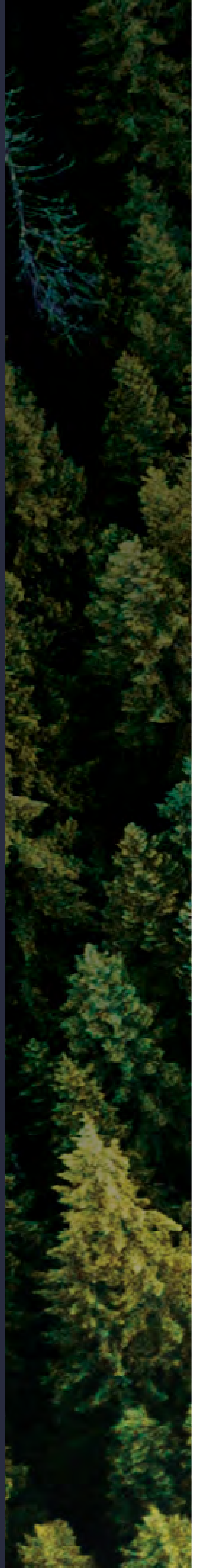
At this stage in the global development of stewardship codes, expectations for stewardship are generally similar across markets, but there are some nuances that investors must consider when executing against specific codes. Virtually all codes—which today span 20+ markets—include principles directing asset stewards to responsibly exercise their rights and responsibilities; collaborate with peers; engage with their investee companies; integrate environmental, social, and governance (ESG) factors into investment decision-making; and build robust mechanisms to mitigate conflicts of interest. We consider these broad expectations, but we also execute stewardship responsibilities taking into consideration some of the less common, and sometimes market-specific, nuances of various codes.

"Without strong stewardship, an investment's integrity can be compromised; in turn, the asset manager/asset owner relationship can suffer, and the smooth functioning of financial markets can break down."

The UK Stewardship Code was the first and is one of the most comprehensive global stewardship codes

Stewardship principle	Canada Last updated in 2017	Hong Kong Last updated in 2016	Japan Last updated in 2020	Taiwan Last updated in 2020	UK Last updated in 2020	ICGN Last updated in 2020
Purpose, strategy, and culture	Not explicitly referenced	Not explicitly referenced	Not explicitly referenced	✓	✓	✓
Governance, resources, and incentives	✓	Not explicitly referenced	✓	✓	✓	✓
Conflicts of interest	✓	✓	✓	✓	✓	✓
Promoting well-functioning markets	✓	Implied	Implied	Partially referenced	✓	✓
Review and assurance	Partially referenced	Not explicitly referenced	✓	✓	✓	✓
Client and beneficiary needs	✓	✓	✓	✓	✓	✓
Stewardship, investment, and ESG integration	✓	✓	✓	✓	✓	✓
Monitoring managers and service providers	Not explicitly referenced	Partially referenced	Partially referenced	Partially referenced	✓	✓
Engagement	✓	✓	✓	✓	✓	✓
Collaboration	✓	✓	✓	✓	✓	✓
Escalation	✓	Implied	Implied	Implied	✓	✓
Exercising rights and responsibilities	✓	✓	✓	✓	✓	✓

Source: Stewardship codes by location, Manulife Investment Management, as of March 2021. Manulife Investment Management is a signatory, or prospective signatory, to these codes with the exception of the Canadian and International Corporate Governance Network (ICGN) codes.



Over time, different stewardship codes have influenced and built on one another as best practices have evolved. For example, the Financial Reporting Council (FRC), in its initial consultation for revisions to the U.K. Stewardship Code and then in its final draft, demonstrated a focus on disclosure of the rationale for certain proxy voting decisions. In its most recent update, the Council of Experts for Japan's Stewardship Code drew on this new emphasis and included within its updated principles and expectations that institutional investors explain reasons for certain voting decisions.

We consider many codes through our active ownership work and reporting, but we've generally decided to frame the present stewardship review through the lens of the U.K. Stewardship Code. In our view, the U.K. code substantially reflects the best parts of a variety of codes and currently contains the most comprehensive reporting and activity requirements to be found anywhere in the world.

Consider the stewardship principle of purpose, strategy, and culture as an example—dwelling, for the moment, on the significance of culture. In our close reading of stewardship codes, we see a range of approaches to discussing the connection between corporate culture and sustainability. Some codes explicitly call out the importance of a sustainability-focused culture and provide guidance on how they might expect to see sustainability manifest and be pursued. Other codes fail to mention corporate culture at all, or reference its significance only obliquely.

Similarly, several codes encourage asset managers to adopt processes to escalate matters when initial engagement is ineffective in influencing a management team to adopt best practices in reporting or risk oversight. While some codes don't emphasize escalation through dedicated principles, they at least imply that escalation is a pillar of good stewardship through suggestions that investors should enter collaborative engagements, or vote against management teams, when other methods of engagement haven't resulted in satisfactory outcomes.

Universal stewardship principles applied locally

As a global company, we carry out our stewardship activities in alignment with various codes, always striving to meet the broad, shared principles of good stewardship while considering market-specific challenges, characteristics, and expectations. The institutional investment arm of Manulife Investment Management is an international business with offices in 17 geographies. Given this global footprint, and given the global distribution of our assets, we conduct operations or are exposed to other companies' operations in virtually every region in the world. By extension, we view good stewardship as a universal obligation and, indeed, similar principles flow across various codes. Moreover, while the application of stewardship practices may differ, depending on the geographies, size, asset class, and associated rights of our investments, our objective is always the same: to preserve and enhance client value by continuously improving our management of sustainability issues.

Conceptions of board independence vary

We encourage strong and independent leadership on corporate boards because we believe that can help balance strong insider influence with an objective representation of shareholder interests. But the form an independent voice takes can vary across markets. Boards in North America are expected to have a majority of directors that can be classified as independent, and yet, in many Asian markets, boards need only achieve one-third independence under local codes and expectations.

Standards and practices also change over time. A decade ago in Brazil, for example, most firms had boards that were about one-third independent, whereas today many firms achieve greater than 40% independence.[1] Considering gender diversity trends as another factor, Japanese boards have historically had poor gender representation—but this is changing. Tellingly, the number of all-male boards on the MSCI ACWI Index dropped from 45% in 2018 to 33% in 2019.[2] Investors may consider revisiting board diversity standards over the next few years given this rapid change.

We consider these differences as we engage with management teams, join collaborative initiatives, exercise voting rights, negotiate terms, and participate in other activities. And our expectations for board independence—to continue with our first example—must change with the market and evolve with prevailing standards and best practices. We consistently push management teams and firms to move toward best practices in a given market, but that can mean, for example, holding issuers to a 40% independence standard in Brazil and a majority independence standard in the United States—at least until standards on either side of this comparison change.

Cross-shareholdings in Japan

In Japan, we engage with issuers on cross-shareholding, a local historical practice through which firms have owned shares of business partners and clients in order to bolster those relationships. In our contemporary understanding, however, cross-shareholding may not only be an inefficient use of capital, but it may also reduce the ability of general shareholders to oversee management through proxy voting. Outsize portions of voting shares can be held by management-friendly investors, effectively diminishing the power of noninsiders.

That observation notwithstanding, cross-shareholding can serve a strategic benefit, as when the practice is used to support research and development collaborations or shared production facilities. As we monitor Japanese firms, we attempt to differentiate between genuine strategic cross-shareholdings and those that are purely protective and then engage through dialogue or proxy voting to remove those shareholdings that aren't in the interests of all shareholders.

Shareholder proposals are a local phenomenon

As standards can change across markets, so can active ownership rights and responsibilities. Local laws, regulations, and practices shape the rights and influence we have at our disposal to engage in those markets. In the United States, for example, regulations governing shareholders' ability to put resolutions on a ballot result in hundreds of shareholder proposals every year covering topics ranging from political and lobbying expenditures and executive compensation to greenhouse gas (GHG) emissions and board diversity.

1 "Proxy Voting Guidelines," Institutional Shareholder Services, November 2020. **2** "Women on Boards: 2019 Progress Report," MSCI, December 2019.

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We view this as being helpful. Shareholders of U.S. firms have become used to opining on a wide variety of issues through proxy voting, a practice that reinforces a reality of shareholder rights. In other jurisdictions, however, such resolutions are uncommon, and shareholders must use other means, such as through issuer dialogue or policymaker engagement, to influence management teams.

Real estate and regulatory change

One of the more complex fields for asset stewardship can be found in real estate markets, where regulatory requirements and efforts to encourage sustainable business practices have historically progressed at different speeds and along varying political pathways in each jurisdiction. As an owner and operator of real estate assets in 11 countries and 27 cities, we're well acquainted with a host of existing local frameworks—and rapidly developing regulatory changes—that are all focused on the urgencies of sustainability at the municipal, city, and state or province levels. The work of real estate stewardship, in part, entails calibrating our strategy for sustainable real estate ownership and operation with these local needs, requirements, and trends.

This can be a challenging task in the absence of comprehensive coordination among regulators, local officials, and asset managers. While different municipalities approach the subject of sustainability with similar intent—for example, to incorporate principles of climate mitigation and adaptation into real estate ownership and operation—there's a high degree of variation in disclosure requirements and even thresholds for defining sustainable operations. For that reason, we support efforts to establish uniform codes, protocols, and disclosures across local boundaries, and we work together with local officials to harmonize reporting requirements.

Stewardship principles apply across the capital markets

As investors, we deliver returns for our clients in several ways: We invest in or directly manage assets that generate returns, and we work with investment partners and stakeholders to enhance the sustainability of our assets over time. Our stewardship practices are designed to help us deliver on these objectives, and we apply them across the capital markets.

Beyond the fundamental integration of ESG considerations into our investment processes, investment stewardship takes different forms depending on the asset class. In private asset classes in which we operate assets directly, stewardship principles inform our management approach, whereas in other asset classes, we use engagement (i.e., meetings and written communication) with our investee companies and business partners to assess and monitor our investments.

We may also identify sustainability risks or opportunities that we believe are material to our investment theses and encourage investee companies to refine their practices around a given issue. We plan engagements related to fixed-income holdings around those points where we believe we're likely to have the strongest influence on the issuer—pre-investment, or during a restructuring, for example. If we believe we'll obtain a better result working with other investors in a particular situation, we'll consider joining a collaborative engagement focused on influencing the firm in question.

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We exercise active ownership across all of our assets and investments. The specific modes in which we exert influence may vary—especially as, in some cases, we're owners and operators of the assets in question, while in others we have ownership rights conferred to us through investment. We adapt our approach to these formal differences while remaining focused on preserving and enhancing asset value through our activities.

Our commitment to sustainability drives our stewardship practices

To us, being an active steward is a critical part of what it means to be an active manager. Ensuring portfolio resiliency requires us to do more than traditional fundamental analysis. It requires keeping up with changes to stewardship codes and the increased adoption of stewardship principles—and evolving our approach. This active side of stewardship is central to our ability to protect and grow the value of the assets we own or manage on behalf of our clients. Whether in broad thematic engagements, standards-setting discussions, or one-on-one company engagements, we strive to identify areas that may help us fortify management, reporting, and sustainability practices and then work with stakeholders to strengthen these frameworks supporting our assets and investments.

The UK Stewardship Code reflects global principles of good stewardship

Purpose, strategy, and culture

- Disclose your purpose and how your strategy benefits clients
- Develop a culture that supports purpose and strategy while also supporting best practices in stewardship

Governance, resources, and incentives

- Staff resources and expertise to carry out stewardship function
- Evaluate staff on stewardship execution
- Create an oversight and policy structure to support and guide activities

Conflicts of interest

- Train staff on conflicts of interest in stewardship
- Maintain policies and processes designed to mitigate conflicts of interest when they may arise

Promoting well-functioning markets

- Engage policymakers and standard setters to encourage sustainable and resilient markets
- Identify and address emerging systemic risks

Review and assurance

- Regularly monitor and analyze stewardship effectiveness and make changes accordingly
- Invite independent oversight of stewardship processes, controls, and recordkeeping

Client and beneficiary needs

- Develop mechanisms to capture client feedback and amend policies and procedures in response
- Regularly report to clients on activities and outcomes achieved

Stewardship, investment, and ESG integration

- Consider environmental, social, and corporate governance risks and opportunities through the investment process across portfolios
- Tailor integration of sustainability factors and approach to stewardship by asset class

Monitoring managers and service providers

- Work with vendors to ensure data and services meet client needs and constantly improve
- Monitor services and data to ensure accurate and consistent high quality

Engagement

- Set clear expectations for engagements
- Tailor approach to engagement by asset class
- Work with stakeholders to achieve outcomes

Collaboration

- Partner with peers to encourage specific change
- Support initiatives to address systemic risks

Escalation

- Develop processes to alter tactics when stewardship isn't effective in achieving outcomes
- Consider collaboration, public statements, and other means of influencing change

Exercising rights and responsibilities

- Strategically use rights associated with asset classes to influence best practices
- Protect and enhance rights where possible to maximize influence

Purpose, strategy, and culture

Governance, resources, and incentives

Conflicts of interest

Promoting well-functioning markets

Review and assurance

Client and beneficiary needs

Stewardship, investment, and ESG integration

Monitoring managers and service providers

Engagement

Collaboration

Escalation

Exercising rights and responsibilities

Stewardship Code *principles* and our practices

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Stewardship Code principles and our practices

Purpose, strategy, and culture

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Purpose, strategy, and culture

Our purpose as an asset manager is to deliver strong risk-adjusted investment returns for our clients over time while having a positive impact on the environment and society through active ownership practices. We believe a commitment to sustainable investing is a necessary condition for investors to be successful over all meaningful time horizons.

A major facet of our stewardship practices involves strategies of active ownership, which focus our direct operations, company engagement, and proxy voting activities on:

1. Strengthening how sustainability challenges are being addressed
2. Promoting well-functioning markets

These practices are all grounded in and made more fully possible by our corporate culture. At Manulife Investment Management, we value and actively support the robust integration of sustainability principles, including our active ownership strategies, in our investment approaches. This holds true across asset classes, geographies, and our business identities—whether we're acting as asset operators, equity holders, or debt holders.

Our culture, values, and beliefs

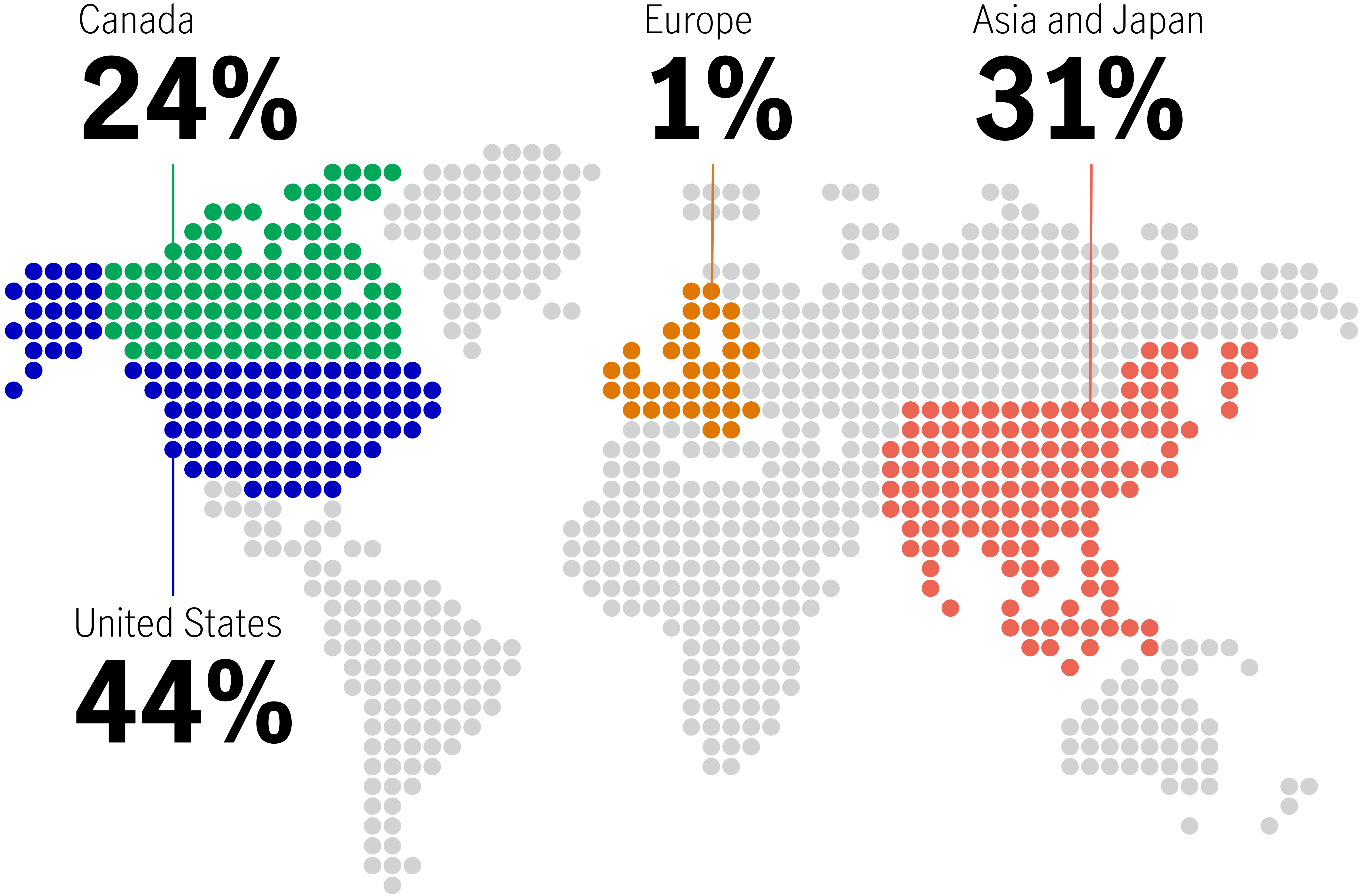
As active managers, in-depth research and analysis drive our investment activities and shape our daily routines. This critical, evaluative edge informs how we judge ourselves to be close to meeting or exceeding our stakeholders' objectives.

With a culture steeped in careful and objective analysis, knowledge sharing, and global collaboration, we see clearly why sustainability principles should inform our investment practices from the bottom up. In our view, sustainability drives financial value, while strong stewardship practices help us build strong relationships with all our stakeholders, from clients and employees to tenants, borrowers, and investment partners.

This belief manifests across the different facets of our global business, as asset operators, equity holders and debt holders. These different facets of our identity enhance our stewardship efforts, as they allow us to leverage fundamentally different perspectives in our daily activities.

We have a global base of clients

Client AUM by market



Data as of December 31, 2020.

$580B*
in institutional AUM

1,000+
institutional accounts

*Manulife statistical information package, as of December 31, 2020. Assets under management (AUM) is in Canadian dollars. AUM includes assets managed by the institutional asset management arm of Manulife Investment Management on behalf of external clients, the insurance business, and other affiliated businesses, as well as $332 million of unfunded committed capital of Manulife Investment Management Private Markets (US) LLC. The methodologies used to compile the total AUM are subject to change and may not reflect regulatory AUM as reported on certain affiliates' Form ADV.

Our beliefs support our culture of stewardship

Sustainability is not a given

Achieving sustainable outcomes requires asset managers and investors to display leadership around and commitment to principles of sustainability.

Sustainability helps drive financial value

The ability to create financial value is affected by the health of our natural environment and the strength of the social infrastructure in our communities. As such, we believe that sustainability analysis is integral to understanding the true value of an investment.

We share sustainability goals with our clients

We strive to provide transparency about our asset management process, including our approach to sustainable investing, in order to support our clients in responding to their own stakeholders.

Active managers are well placed to manage stewardship effectively

Active managers, employing experienced investment professionals, are able to translate financial and sustainability issues effectively to encourage change.

We hold ourselves to a high standard of stewardship

Where we own and operate our assets, we believe it's our responsibility to pursue the best sustainability processes and standards for ourselves and our employees. We also take seriously our potential influence over the sustainability trajectory of companies we invest in.

Our commitment to stakeholders goes beyond financial performance

While our commitment to our clients is paramount, as a leading global financial institution, we have a role in making a positive contribution to society in addition to our financial performance.

Diversity, equity, and inclusion are central to our culture

Across our global offices—and in alignment with the beliefs and practices of our parent company, Manulife Financial Corporation (Manulife)—we focus on a shared set of values that helps engender high employee engagement. In particular, we value getting things done together, establishing a sense of shared and individual ownership, remaining focused on stakeholder needs, and doing the right thing. We also value innovation and thinking big, alongside what we call sharing our humanity—which is another way of saying practicing empathy and acting authentically with our colleagues.

Drawing its strength from all of these values, our goals and efforts toward fostering better diversity, equity, and inclusion (DEI) at our firm demonstrate our commitment to our employees' health and professional growth as well as to the strength of the communities in which we live and work. We believe we're stronger when we embrace our differences, and that diversity in gender, race, religion, identity, and ability plays a key role in driving innovation and growth within our company.

Our employee resource groups (ERGs) play an integral role in championing diversity and building an inclusive work environment. United by a common identity, trait, or interest, these voluntary, employee-led networks are a much-used resource for both employees and the firm. They enable us to work together to address barriers to advancement and provide personal and professional development opportunities.

"Our goals and efforts toward fostering better diversity, equity, and inclusion at our firm demonstrate our commitment to our employees' health and professional growth as well as to the strength of the communities in which we live and work."

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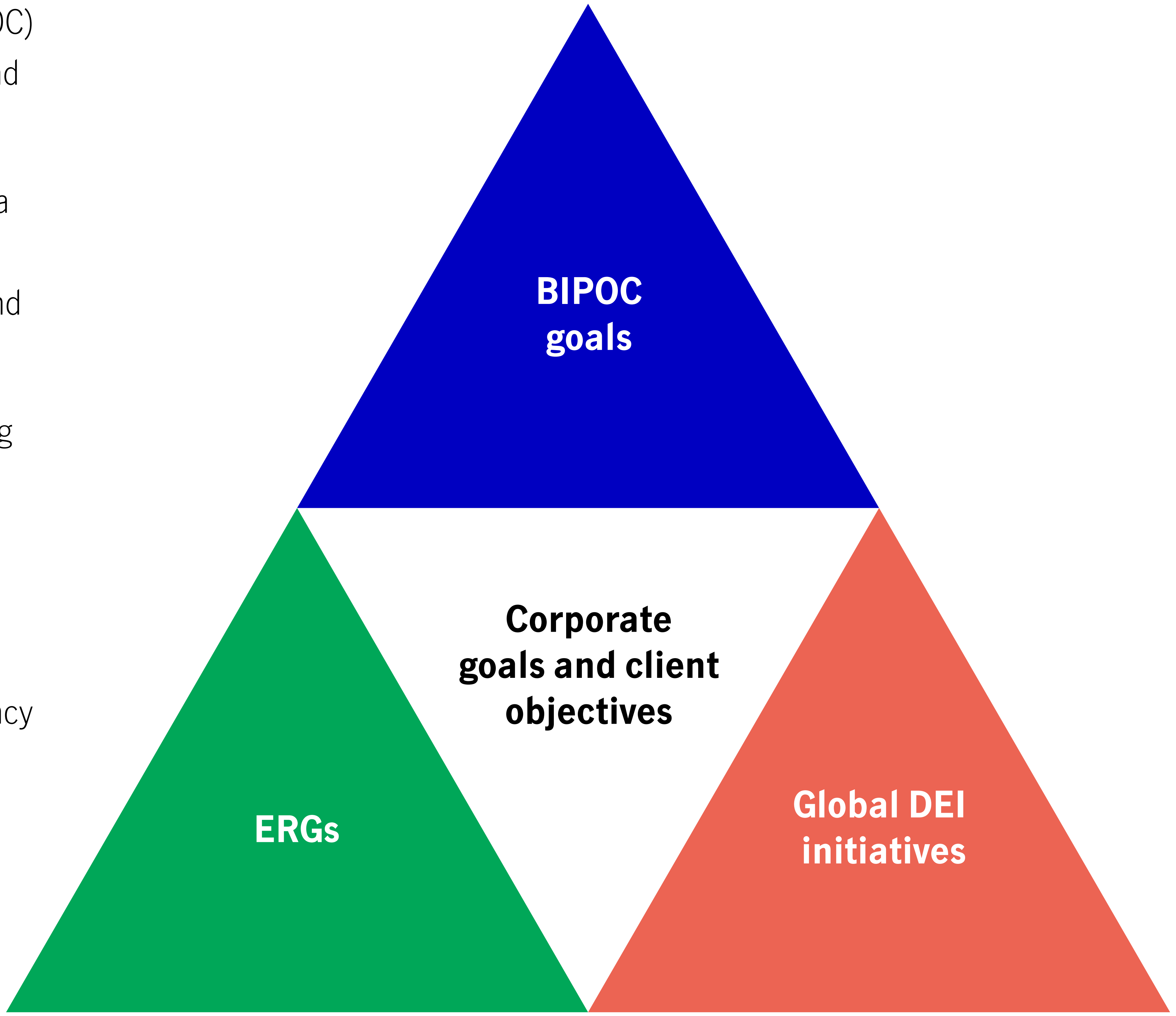
Purpose, strategy, and culture

Manulife Investment Management embraces the diversity and inclusion goals adopted by our parent company, Manulife

Select goals and initiatives

- At least a 30% increase in black, indigenous, and people of color (BIPOC) representation at the director level and above by 2025
- Expand our collection of diversity data from employees in North America to find opportunities for improvement and measure success
- Two-day Women in Leadership training program aimed at identifying future leaders (first launched in 2011)
- Part of [Bloomberg's Gender-Equality Index], having demonstrated a significant commitment to transparency and workplace equality



Source: Manulife, March 2021. For illustrative purposes only.

How our culture informs our active ownership strategies

Building on our history as a trusted insurer, long-term investor, and responsible corporate citizen, we seek input from external and internal stakeholders, reflect on learnings from ongoing engagement with external sustainability associations, and evolve our stewardship practices. Our culture of collaboration and innovation allows us to fully leverage the range of knowledge across our global platform to drive innovation and enhance our stewardship approach by bringing local knowledge combined with global understanding to engage with companies across the globe.

Collaboration is always in alignment with our fiduciary duty to our clients as an asset manager because we seek outcomes that improve portfolio resiliency. For example, when we engage with companies over sustainability issues, it can lead to positive changes in disclosure, more sustainable actions and strategies pursued by company management, and better performance potential in line with ESG factors. Through collaborative engagement, in which we work with industry partners and sustainability-focused organizations, we seek to amplify our collective impact, reduce the noise of numerous points of view by speaking with one voice to key corporate management teams, and help companies focus on setting goals with meaningfully positive outcomes.

Looking ahead

We believe our culture is strong across the organization, and we believe our stewardship program is well aligned with best practices across the industry. While we've made great strides in communicating our approach to our clients, we recognize that we could do more to highlight these efforts, particularly in connection with the outcomes of some of our engagements. In 2021, we plan to focus on strengthening this communication.

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Governance, resources, and incentives

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Governance, resources, and incentives

Our governance structure comprises sustainable investing committees and working groups that provide oversight, conduct ongoing risk assessments, and help steer our sustainability initiatives across global capital markets.

Our **governance** *approach*

Manulife Investment Management has established a governance structure to oversee our investment teams' sustainable investing activities and our ongoing stewardship activities.

We view the involvement of leaders in all asset classes, as well as representatives from functional areas such as operations, legal, compliance, risk, and technology, to be crucial to supporting our sustainable investing activities across the organization and ensuring the buy-in and commitment required for success.

In addition, the sustainability governance structure of Manulife Investment Management is connected to larger sustainability governance at Manulife. The president and CEO of Manulife Investment Management is joined by other senior Manulife leaders on the Manulife Executive Sustainability Council, and the leaders of our sustainable investing teams in Manulife Investment Management work closely with Manulife's chief sustainability officer. In this way, Manulife Investment Management's governance structure is well connected to the broader sustainability community and leadership across Manulife.

Our sustainability governance

Manulife | Manulife Investment Management

Corporate governance and nominating committee | Audit committee | Management resources and compensation committee | Risk committee

Executive Sustainability Council

General counsel | Chief analytics officer | Chief marketing officer - chair | Chief human resources officer | Chief executive officer | President and CEO, Manulife Investment Management | Chief sustainability officer | Chief financial officer | Chief operations officer | Chief investment officer | Chief risk officer

Sustainability center of expertise members

Corporate finance
Manulife Investment Management—public markets

Corporate sustainability
Manulife Investment Management—private markets

Group risk management
General account John Hancock—United States

Our committees are convened to enable regular decision-making oversight

Public markets sustainable investing committee

- Integral to public markets strategic oversight
- Focus on key sustainability initiatives and strategy
- Comprises senior cross-functional leads and ESG team members; meets monthly

Proxy voting working group

- Members include cross-functional business heads in public markets
- Escalated voting decisions reviewed by this group

Private markets sustainable investing committee

- Supports ESG integration across private markets
- Led by the global head of private markets
- Includes global heads of private asset classes, sustainability specialists, and representatives from strategy, risk, distribution, legal, and marketing

For illustrative purposes only.

This governance structure is supported by teams of sustainable investing professionals that facilitate implementation of Manulife Investment Management's sustainable investing agenda. This occurs through a variety of activities and projects, which include preparing annual business plans, identifying and developing sustainable investing best practices, supporting investment teams to develop tools and methodologies to adopt these best practices across the investment lifecycle, and leading the participation in external initiatives or collaborative industry engagement. Our sustainable investing teams work with all investment strategies across geographies and ensure consistent messaging of ESG integration, dissemination of new resources such as tools and data, and access to support for investment teams in terms of research and stewardship activities.

Our sustainability professionals conduct periodic training sessions for investment personnel on thematic sustainability issues, such as executive pay analysis, climate change, and ESG integration. Training is led either by our teams or by external experts, including leading academics. We also conduct or sponsor training sessions for specific investment teams as needed. Investment analysts are expected to participate in these training sessions as part of their ongoing professional development. The heads of each asset class are fully aligned with our approach to sustainable investing and provide clear leadership and direction.

Our investment teams have access to internal and external ESG data to assess the potential impact of material ESG factors on the valuation and risk/return profile of investee companies. Given that we operate as a community of specialist investment teams, each team incorporates ESG factors into the investment process in a manner that aligns best within its individual investment decision-making approach. Our sustainable investing professionals act as the primary base of support for our investment teams by helping design sustainable investing processes and providing a range of ESG-related decision-useful metrics, as well as working closely on our stewardship activities with investment teams.

Our sustainability-focused professionals support our asset management teams globally

21

dedicated sustainable investing professionals

400+

advise 400+ investment professionals on sustainability and stewardship activities

with expertise across regions and asset classes

- **ESG research and analysis**
- **Implementation of sustainability practices**
- **Training and education sessions**
- **ESG monitoring (investment monitoring)**
- **Proxy voting research**
- **Stewardship practices for operation of real assets**

Investment teams

Integrating ESG factors and stewardship in their investment activities

- Listed equity
- Fixed income
- Multi-asset solutions
- Real estate
- Infrastructure
- Private equity and credit
- Timber
- Agriculture

Real asset operation teams

Integration of sustainable investing within assets we own and operate in real estate, timber, and agriculture

Source: Manulife Investment Management, March 2021. For illustrative purposes only.

Across all asset classes, the contribution of investment professionals to sustainable investing and stewardship forms part of the discretionary bonus decision-making process each year. In addition, senior leaders have goals related to sustainability: Our asset class leaders, for example, have clear goals to consistently improve our ESG integration practices.

Analysts in our sustainable investing teams for public asset classes are evaluated on a range of annual performance criteria related to the success of our sustainable investing program, including qualitative assessments of the level of ESG integration and awareness across investment teams, and the volume, quality, and investment impact of ESG engagements with companies that form part of our stewardship program. Similarly, the sustainable investing team for private asset classes is evaluated on a range of annual performance criteria related to their sustainable investing program. Furthermore, all employees managing timber and agriculture assets are evaluated annually, in part, on metrics related to stewardship of people and the environment, such as conformance to third-party certification standards.

Looking ahead

We recognize that as our sustainable investing practices continue to evolve and strengthen, we need to continually review our governance process. For example, across public asset classes we've employed a proprietary integration progression-level framework to monitor the progress of investment teams in their ESG integration efforts. This has been highly effective in encouraging real progress across the public markets investment teams. As we expect to reach full ESG integration across virtually all public markets investment teams in 2021, we anticipate developing a new framework to encourage teams to continue to develop—especially encouraging development of specialist-level sustainability knowledge and skills.

Learn more about our policies and governance

- Sustainable investing and sustainability risk statement
- Climate change statement
- ESG engagement policy
- Global proxy voting policy and procedures
- Real estate sustainability framework
- Timber and agriculture SRI framework

A message
from
Paul R. Lorentz

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Conflicts
of interest

Conflicts of interest

Manulife Investment Management is fully committed to conducting business with integrity and treating customers fairly and consistently. Our obligation extends to managing conflicts impartially between ourselves and our clients—and between clients. Conflict management can occur in a number of stewardship activities, including engagement and proxy voting.

Our approach to managing conflicts of interest

We always strive to act in the best interests of our clients through all of our business activities. In pursuit of this goal, we look to identify and mitigate any conflicts of interest, whether potential or otherwise, across all of our business activities, including active ownership. To that end, we've established a framework of policies, training, and governance to address real and potential conflicts of interest and to always put the interests of clients first.

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Conflicts of interest

We take a multifaceted approach to conflicts management

Multiple policies, processes, and review bodies help us identify and mitigate conflicts of interest

Governance	Boards and oversight committees	Policies and procedures	Conflicts Advisory Council
Oversight mechanisms	Global ethics Global trade oversight Operations Proxy voting	Conflicts of interest policies tailored to specific market challenges	Identification and mitigation of business-level conflicts

For illustrative purposes only.

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Global policy network

Manulife Investment Management consists of various affiliated legal entities across the globe. We've established a network of conflicts of interest policies that support our efforts to identify and mitigate real or potential conflicts. These policies are further tailored to each entity according to the different legal and regulatory environments in which the entities operate. Manulife Investment Management (Europe) Ltd., our U.K. legal entity, as an example, has a stand-alone conflicts of interest policy (available here) that's designed to protect the interests of our clients while also meeting expectations of the Financial Conduct Authority Principles for Business and requirements of the EU Markets in Financial Instruments Directive II, or MiFID II.

Individual associate activities related to conflicts of interest are also covered by our global wealth and asset management and general account investments code of ethics (code of ethics). This code of ethics directs employees to consider any situations in which their activities or interactions with clients, vendors, or other employees could present an actual, potential, or perceived conflict and to report such conflicts to compliance for further review and instruction. Conflicts are addressed through various policies, including the gifts and entertainment, personal trading, and outside business activities sections of the code of ethics. The code of ethics also emphasizes, however, that potential or actual conflicts frequently occur in the context of all normal business operations, and associates must always act with integrity, honesty, and in an ethical manner to protect our clients' interests.

Regarding stewardship specifically, both our global proxy voting policy and procedures and our ESG engagement policy address conflicts in proxy voting and engagement. Associates tasked with engagement and proxy voting responsibilities are required to disclose any real or potential conflicts to their manager and our legal and compliance departments, as needed, to determine appropriate steps to mitigate a given conflict.

We require our teams to follow a program of continual training

Our employees are required to complete training sessions throughout the year as directed by the global code of ethics administration team. These include content on managing conflicts within gifts and business entertainment, participation in business activities that could benefit an associate or close relative, and outside activities. Employees learn both how to identify a real or potential conflict and the steps that they should follow if they identify a conflict. They're then tested on their knowledge of these sessions and certify that they abide by the code of ethics policy.

We evolve our governance infrastructure and applicable oversight committees

We have several standing bodies throughout Manulife Investment Management that are tasked with overseeing the network of conflicts of interest policies, training, and mitigation efforts. Our standing oversight committees, for example, comprise senior management and risk and compliance officers from the various entities that make up our firm.

To mitigate conflicts of interest at the business level, the organization established a Conflicts Advisory Council that has members from regional and functional business heads and second-line control functions. Local risk committees work from the bottom up to identify and discuss conflicts arising from business decisions, or proposed business decisions, and escalate locally and to the council as needed. Manulife Investment Management executive leadership also informs the council on business conflicts that proceed from the top down. The Conflicts Advisory Council isn't a decision-making body, but instead assesses and evaluates these matters and recommends a mitigation to the local business or executive leadership.

Related to proxy voting specifically, in 2020, Manulife Investment Management created a proxy voting working group to act as a control against conflicts of interest in the proxy voting process. This working group comprises functional experts from across the organization, including the legal, compliance, investment, and sustainable investing teams. The working group reviews any potential conflict of interest to determine whether it's material; where a conflict is present, the working group will follow one of several actions, including direct review of the relevant proxy voting decisions to ensure there's a robust rationale that protects shareholder value over the long term, execution in line with the recommendations of a third-party proxy research provider, or abstention from voting.

Addressing potential conflicts in private markets

The primary purpose of the Private Markets Conflicts of Interest and Investment Allocation Oversight Committee is to carry out the duties of the investment managers that relate to the oversight of the investment allocation process and to address conflicts of interest. This includes conflicts of interest (i) between an investment manager, its supervised persons or its affiliates, on the one hand, and its advisory clients, on the other hand, and (ii) between and among an investment manager's advisory clients. The committee reviews conflicts or potential conflicts of interest and provides advice and recommendations regarding the mitigation of such conflicts or potential conflicts. Among other potential conflicts, material conflicts of interest could include the following:

- Investments in the same company at different levels of capital structure
- Financially troubled investments
- Loans or additional equity to portfolio companies
- Purchases or sales at different times or in different proportions
- Investment refinancing or liquidation events
- Financing of real estate purchases

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Conflicts of interest

When conflicts cannot be resolved

In exceptional circumstances, an unmanageable conflict may arise. In such a case, Manulife Investment Management won't undertake business for the client unless we've clearly disclosed the conflict (or potential conflict) to that client in advance. This disclosure is important when other means of conflict management are insufficient and provides detailed information about a conflict to allow the client to make an informed decision.

Looking ahead

We recognize that our firm is a complex global network of legal entities, and we have a wide range of policies and processes both globally and locally. In 2021, we anticipate reviewing our approach with a view to ensuring that we're following best practices globally while recognizing the need for local differentiation. We believe this will make our approach to conflicts easier to understand across our company and strengthen our ability to continue to embed this into our culture through greater consistency.

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Promoting well-functioning markets

We believe investors can play a central role in addressing systemic risks in financial markets. As sustainable investors, we've established a multilayered risk management structure to help mitigate systemic risk exposure in our portfolios in addition to the collaborative actions we take to help alleviate these risks.

Our approach **to risk management**

Because we operate across numerous asset classes and markets, we've implemented overlapping processes to identify and respond to different types of risk. In turn, our investment teams are empowered to account for the market and systemic risks in their investment process, which is then monitored at an organizational level.

Manulife Investment Management practices a three lines of defense model in terms of risk management, with the investment staff forming the first line, compliance and risk management the second line, and audit the third line. All three lines have entirely separate management structures and reporting authorities to ensure independence.

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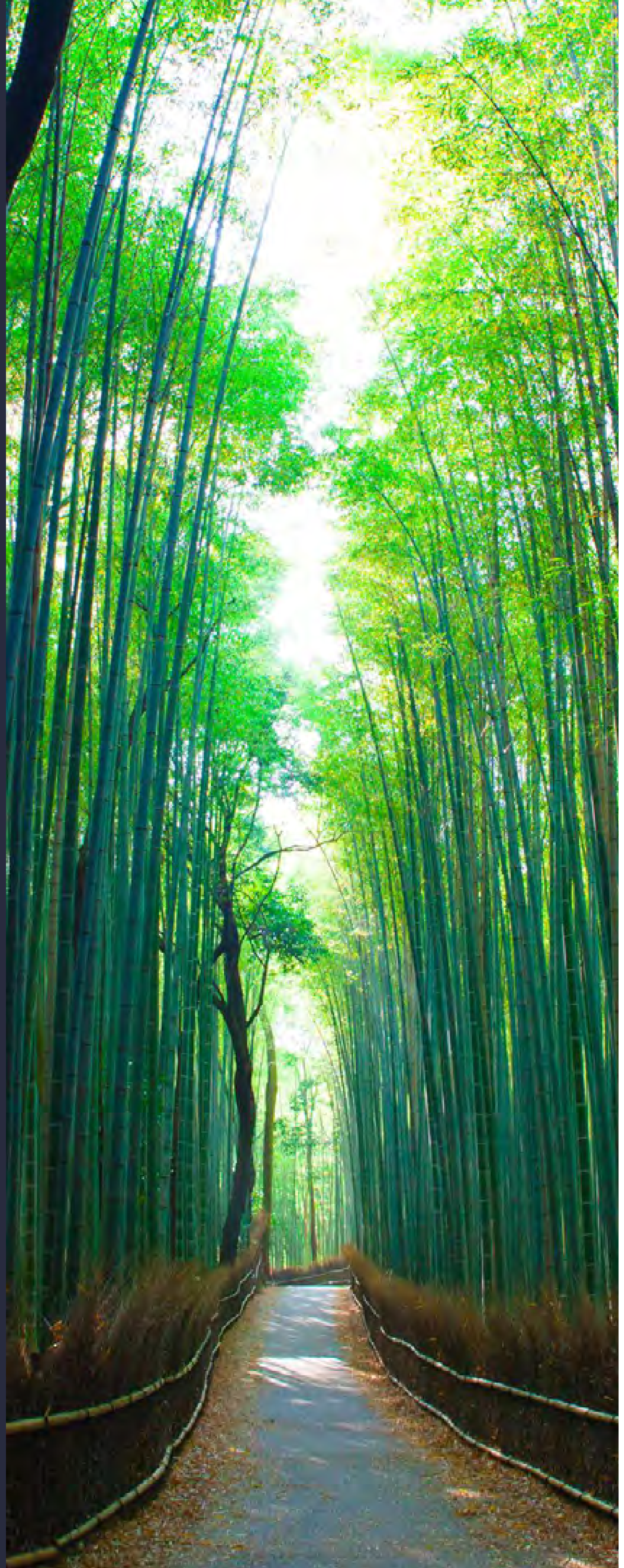

This three-line model for identifying risks relies on quantitative and qualitative input from different sources

Portfolio managers

Investment risk teams and models

Collaborative engagements

While risk—particularly systemic risks such as climate change—can never be entirely guarded against in investment portfolios and business operations, we believe our overlapping risk management process helps ensure that we adequately manage these risks in our clients' portfolios and for the assets we own and operate.

We rely on both quantitative and qualitative risk management input

Portfolio managers

Our frontline risk defense

Investment risk teams and models

Multilevel risk management functions

Collaborative engagements

Systemic risk identification and mitigation

Different forms of risk are simultaneously addressed and managed

- Liquidity
- Climate-related physical hazards
- Low-carbon transition
- Operational
- Market

For illustrative purposes only.

Across our investment capabilities, portfolio managers are ultimately responsible for managing risks in their portfolios. Our public markets teams are aided by an investment risk group that monitors market risk and reports up to a multidisciplinary risk committee and chief risk officer. In connection with a variety of systemic risks commonly defined in terms of ESG factors, we participate in collaborative engagements, which help us amplify our impact across the global capital markets.

How we responded to the COVID-19 crisis

In January 2020, we began to evaluate the emerging threat of COVID-19 using quantitative and qualitative assessments. Our internal risk team focused on available public health data, including caseloads, transmission rates, and mortality rates, using this information to inform daily risk reports to our investment teams. Our macroeconomics team also embarked on a benchmarking effort, analyzing comparative historical events such as SARS. To better understand the potential impact of the emerging pandemic, we adjusted the base case of SARS to the new reality of China's heightened importance and connectedness to the global economy.

These data-driven modeling inputs helped our investment teams and business partners make sense of the pandemic's outsize uncertainty shock. However, as our Chief Macroeconomist Frances Donald wrote in early March 2020:

> "At this point, economic forecasting can feel like a futile endeavor: The parameters are changing so quickly that even typically forward-looking macroeconomic data is out of date before it's published. As a result, we have almost no visibility into how global economies are reacting to COVID-19."

Not to be deterred from analyzing the proliferating impact of the pandemic, our investment risk, macro, and sustainable investing teams remained in close contact with our investment management teams to understand the portfolio-level implications of the widening crisis. As a first step, we identified industries and companies with higher exposure to global trade. As the pandemic-related risks rapidly expanded, we looked at portfolio exposures to higher-risk industries such as airlines, tourism, and luxury goods. In addition, we consulted with outside experts to better understand the unique risks posed by COVID-19 and applied this analysis to our risk management process.

Efforts to minimize pandemic-related disruption

In the case of our global real estate portfolio, we responded immediately to the declaration of COVID-19 as a public health emergency. We set up a task force responsible for reviewing our real estate asset and property management's existing policies and procedures. This group then implemented new protocols that were aligned with local government orders and public health authorities. Our teams were also hard at work exploring opportunities for rental support, including participation in government support programs.

In the midst of 2020's historic turmoil, our public markets sustainable investing team encouraged our proxy voting vendor to consider the depth of the impact that COVID-19 was having on firms across sectors and geographies. As our vendor conducted research and analysis through 2020, we affirmed our support for virtual-only shareholder meetings on the condition that firms enable robust dialogue with shareholders through digital platforms.

We believe the pivot to virtual proceedings helped minimize disruptions to firm operations that would've been caused by canceled or postponed shareholder meetings. We also encouraged a more flexible position on anti-takeover mechanisms—such as so-called poison pills—so as not to exacerbate dislocations stemming from the dramatic market volatility and profound economic disruptions that began in the early part of the year.

Our ongoing response to COVID-19

Our response to the pandemic continues to require coordination on many fronts. Given the spread of the coronavirus globally, we've established guidelines to help our employees stay healthy and safe and to ensure we can continue to support our clients. We continue to provide firmwide updates to all employees on the coronavirus and the state of our business, including interim policies and guidelines that cover areas such as enhanced business travel restrictions, protecting personal health, and protocols for employees who fall ill. With business continuity plans firmly in place, we remain vigilant in our response to pandemic-related investment risks and opportunities.

Our investment teams continue to evaluate the direct and indirect implications of the pandemic. To name a few relevant examples:

- Liquidity risk management meetings continue to occur on a more frequent basis than before the pandemic
- We continue to work with equity owners and management of our private credit portfolio companies to address covenant modifications necessitated by the pandemic and to support their growth where those opportunities exist
- In our real estate portfolio, we continue to work with tenants who request rent abatements due to the impact of the pandemic on their businesses

In consultation with a team from the Harvard School of Public Health, we developed a "Return to office tenant guidebook," which provides an updated list of recommended measures within six key categories, each of which is designed to ensure the safe and ongoing return of tenants, visitors, and contractors to our spaces. This playbook includes guidelines on employee behavior, communication standards, and operational system upgrades.

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Our "Return to office tenant guidebook"

Building common areas

Tenant improvements and on-site maintenance

Property operations and building systems

Leasing and tour protocol

Tenant spaces

Tenant communications and building signage

Throughout the pandemic, our top priority has remained the health and safety of our employees, customers, partners, and communities. We've remained committed to supporting the communities in which we operate and have made considerable donations of supplies and resources in some of the hardest-hit areas.

For illustrative purposes only.

Responding to the systemic risk of climate change

We believe that unmitigated climate-related risks present a systemic threat to societal, environmental, and financial stability—and therefore to our business and our clients' financial objectives—over the coming decades. To understand the impact of climate change on investment decisions, we believe asset managers should assess the transition risk, physical risk, and opportunities posed by climate change to the companies in which they invest. We recognize that climate change could have an economic impact that will vary from company to company to a varying degree, which will depend on the exposure level of each sector, industry, and geography.

We believe that the understanding of climate change across the capital markets remains uneven, leading to potential mispricing of assets, and that many companies may be inadequately prepared to respond to the risks and opportunities of this transition. We may take a variety of actions toward managing climate-related risks and opportunities across our businesses and investments to appropriately price climate risk.

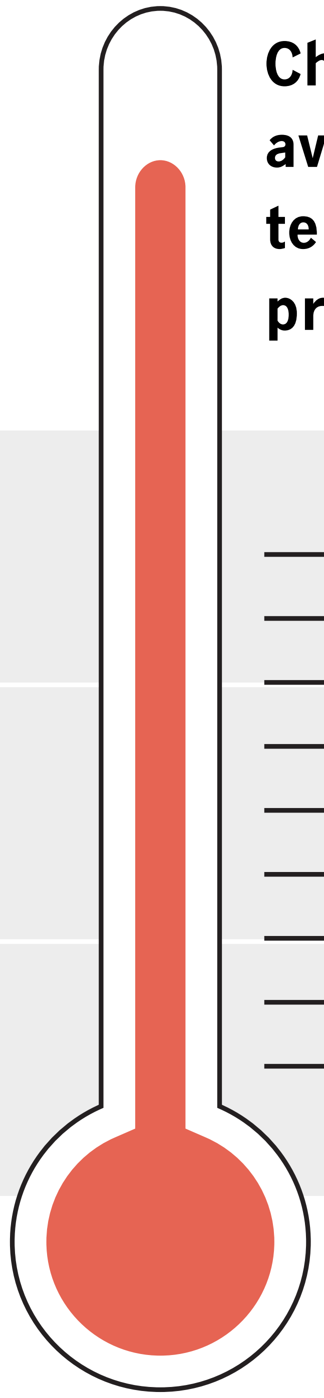
Our support of the TCFD

Between 2017 and 2019, Manulife Investment Management participated in the United Nations Environment Programme Finance Initiative (UNEP FI) pilot project, which brought together 20 of the world's leading investors to advance the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The participants in the pilot developed scenarios, models, and metrics to enable a scenario-based, forward-looking assessment and disclosure of climate-related risks and opportunities.

With UNEP FI and expert support, the investors tested their portfolios against a range of climate scenarios and co-developed a metric for determining the climate value at risk (climate VaR) for equity, bond, and real estate portfolios. The outputs and conclusions of this group are intended to stimulate and ease the adoption of the TCFD recommendations by the wider industry.

Unweighted aggregate climate VaR among holdings for two portfolios

Climate Value-at-Risk (Climate VaR) is designed to provide a forward-looking and return-based valuation assessment to measure climate related risks and opportunities in an investment portfolio. The fully quantitative model offers deep insights into how climate change could affect company valuations.



Canadian equity portfolio		Change in average global temperatures above preindustrial levels	Asian equity portfolio	
Climate VaR from transition risk	Climate VaR from tech opportunity		Climate VaR from transition risk	Climate VaR from tech opportunity
-12.65%	0.77%	3.0˚C	-16.74%	4.99%
-48.78%	2.87%	2.0˚C	-135.70%	17.20%
-99.77%	6.91%	1.5˚C	-177.60%	40.40%

Source: Manulife Investment Management, MSCI/Carbon Delta, August 2018. For illustrative purposes only. Climate VaR is a measure of the risk of loss for investments. It estimates how much a set of investments might lose (or gain, if expressed as a positive percentage), given normal market conditions, and is based on a terminal period of approximately 30 years with a declining carbon avoidance cost that eventually reaches zero. The Canadian portfolio invests primarily in large-cap Canadian equities, benchmarked against the S&P/TSX Composite Index, while the Asian portfolio invests in equities with primary interest in China, benchmarked against an aggregated MSCI China/Hong Kong Index. The methodology used for scenario analysis is only focused on scope 1 (direct) emissions and does not consider the impact of climate change risks on scope 2 and scope 3 (indirect) emissions. The unweighted aggregate climate VaR calculations rely on several assumptions, including nationally determined contributions to GHG emissions by country and a range of global carbon prices under varying temperature scenarios. The analysis does not make any assumptions regarding individual companies' ability to reduce their carbon emissions or pass transition risk-related costs to customers or suppliers, nor does it offer a confidence interval for transition-related risks or opportunities.

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Climate Action 100+: a major platform for collaborative change

In 2017, Manulife Investment Management was a founding member of Climate Action 100+, a five-year initiative that, as of February 2021, included more than 450 investors from around the globe representing US$40 trillion in investor capital. Climate Action 100+ focuses on the world's largest corporate GHG emitters. By late 2019, Climate Action 100+ had logged notable successes among major mining and oil and gas companies, and in 2020, we continued to see notable climate action from investee companies targeted through Climate Action 100+ outreach.

Our investments are aligned with our broader climate risk mitigation efforts

We may take a variety of actions toward managing climate-related risks and opportunities across our businesses and investments to appropriately price climate risk. Broadly summarized, our available actions relate to asset allocation and selection, investment analysis and research, proxy voting, mitigating direct GHG emissions, deploying best-in-class sustainability management practices for operated assets, and participating in collaborative industry climate initiatives. In general, our preferred position is to engage directly with companies to encourage effective implementation of climate risk mitigation and adaptation strategies, reserving the right to divest of any investment.

Given its materiality and proximity, we're acting now to mitigate and help manage the effects of climate change both today and in the future. In our global real estate portfolio in 2020, for example, we set a long-term GHG-reduction target and integrated climate mitigation and adaptation into our proprietary Sustainable Building Standards.[3]

In 2020, we also identified other areas in which we could be more effective in our efforts to address climate change. In particular, we made progress in assessing climate risk and resilience in our real estate portfolio as well as through third-party portfolio review, and we published our first report aligned with the recommendations of the TCFD for our timber and agriculture capabilities. In addition, we developed institutional client reporting that includes metrics on portfolio carbon footprints, and we developed an investment framework and process for a climate-focused investment strategy that, at the time of this writing, we expect will be made available to clients in the first quarter of 2021.

Also, in 2020, our public markets sustainable investing team developed models and tools to assess the potential impact on our business of the four Intergovernmental Panel on Climate Change (IPCC) scenarios. The climate-related risks identified in the climate VaR metric are now integrated into our investment decision-making and risk management processes. ESG information is included in our daily risk reporting and portfolio analysis reports for our public asset classes. These are complemented by regular discussions with our risk team regarding emerging risks alongside regular risk reviews with all our investment teams.

3 Our proprietary Sustainable Building Standards provide guidance to our property managers on material ESG initiatives such as energy, water and waste management, and tenant and community engagement.

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Addressing another systemic risk: lack of sustainability disclosure

We apply a materiality-based approach to our investment decision process, but we recognize that some factors could have material impacts across industries and geographies. For example, we believe that climate change and diversity are virtually universal topics that could affect investments in all asset classes, geographies, and sectors.

We believe that investors can play a strategic role, not only in the identification and analysis of marketwide and systemic risks stemming from a pandemic or climate change, but also through using our voice to improve the outcomes for our clients, as well as the economy, environment, and society. Through our sustainability analysis, we identify key barriers to effective stewardship and improvements we believe are needed now to promote the smoother functioning of financial markets.

Developing new standards for sustainability disclosure

A key example of our activity here is our involvement in the Investor Advisory Group (IAG) of the Sustainability Accounting Standards Board (SASB) Alliance. The IAG of the SASB Alliance includes leading global asset owners, asset managers, and investment intermediaries who recognize the need for consistent, comparable, and reliable disclosure of financially material, decision-useful ESG information to investors.

In our role as chair of the Exchanges Working Group for the IAG, we coordinate the goals required to work with exchanges to recognize the SASB standards as being globally applicable as part of a core set of company ESG disclosures. Furthermore, in our bilateral company engagements, we ask issuers to use SASB standards in disclosures to investors. As a result of this collective effort, we're beginning to see greater adoption of SASB standards as a reporting framework.

Looking ahead

We're proud of the work we do to identify and address systemic risks to protect and enhance value for our client portfolios. We'll review our collaborative efforts to address systemic risk and assess their effectiveness in 2021, with a focus on ensuring that our resources are being most effectively deployed to maximize their impact.

We'll also start work in 2021 with the new Taskforce on Nature-related Financial Disclosures (TNFD), to which we've signed on as a working group member. Similar to TCFD for climate, TNFD will work to create a framework for corporations to assess and report on risks and opportunities associated with firm dependencies on nature, with the ultimate goal of steering toward outcomes that will reverse the damage that humans have done to the environment. We'll also be working with peers on Phase II of the UNEP FI. This work will build on the previous phase, which involved development of an assessment tool for investors to review climate risk across portfolios. Phase II of UNEP FI will introduce new methodologies and identify sector-specific risks and opportunities related to climate change.

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Review and assurance

Review and assurance

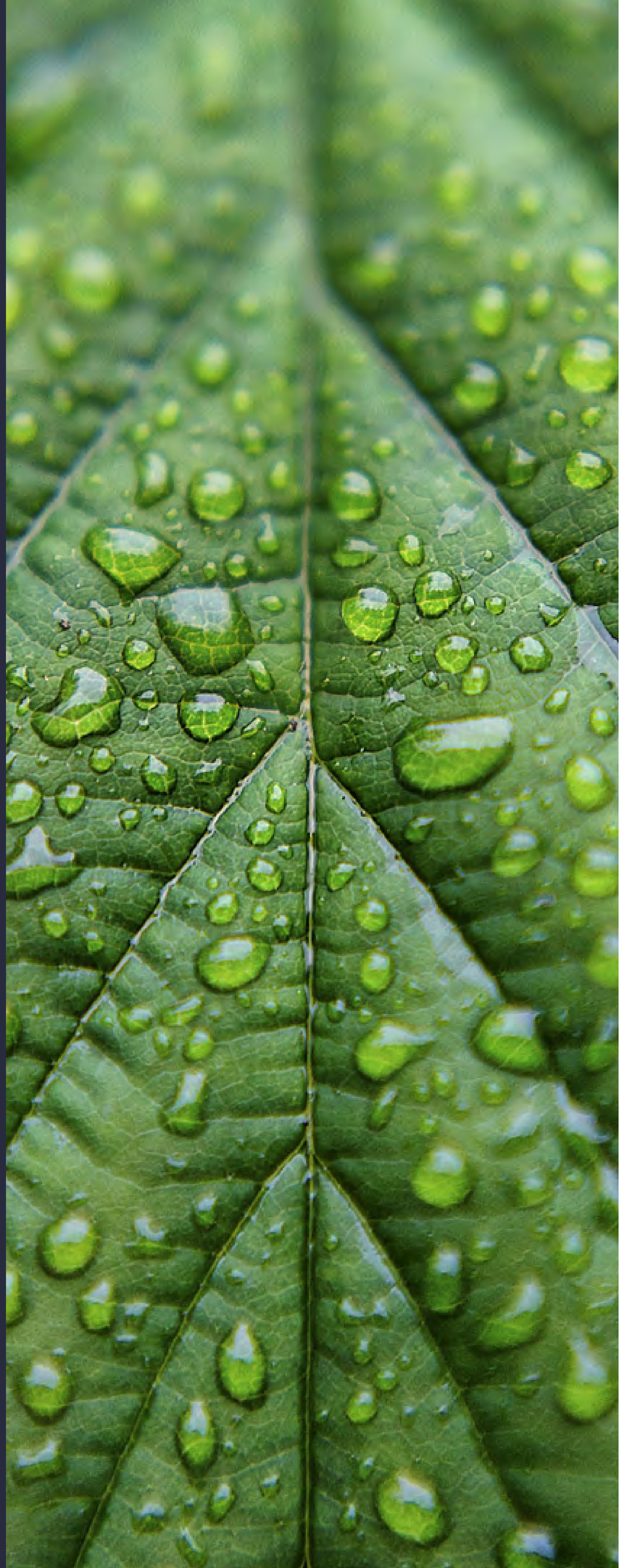
Manulife Investment Management provides transparency on its policies and practices on a regular basis in order to continue improving our investment and stewardship processes to ensure that our clients and stakeholders have a clear and accurate understanding of our activities and decisions.

Our approach **to review and assurance**

In 2020, Manulife Investment Management reviewed stewardship practices using internal working groups as well as external resources. Scrutiny from several angles across a spectrum of functional expertise led us to commit to regular and frequent reviews of our stewardship practices with an eye toward ensuring consistent improvement over time.

Partnering for introspection

Also in 2020, we invited a stewardship consultant to review our practices against the expectations of the UK Stewardship Code principles. The stewardship consultant reviewed our documentation, processes, and policies related to our stewardship activities and identified areas in which we could focus on becoming best-in-class practitioners under the U.K. Stewardship Code. Based on this work, we made several updates to our practices, including the adoption of a new framework to identify and track engagements focused on



outcomes (i.e., behavioral changes at portfolio companies intended to mitigate sustainability risks). We also amended our share-lending guidelines to better preserve proxy voting rights where we have a significant stake in an issuer.[4] We'll continue using the stewardship consultant's work to institute changes to our practices in 2021.

Iterating policy forward

As a matter of course, Manulife Investment Management reviews policies on a formal basis every three years; however, our compliance, sustainable investing, and investment teams are constantly looking to improve stewardship practices. Consequently, we review stewardship policies more informally on an annual basis to ensure we hone our practices in active ownership. We strive to remain aligned with the evolving expectations of the PRI and the market-specific stewardship codes to which we're signatories. We review our stewardship policy framework through the lens of those expectations.

After these reviews, our sustainable investing teams may recommend changes to the relevant policies. These changes can be approved by working groups, such as the proxy voting working group, before ultimate approval by either our public or private markets sustainable investment committee. In 2020, these reviews led to several changes to our policy framework.

4 This change will be reflected in the updated policy released later in 2021 on approval of those changes and others being contemplated.

We adopted or updated several key policies in 2020

Policy	Change
Sustainable investing and sustainability risk statement	Adopted a statement that outlines the Manulife Investment Management commitment to, and core beliefs about, sustainable investment, and that provides an overview of our approach to ESG integration
ESG engagement policy—public markets	Description of framework for outcome-focused engagements
Global proxy voting policy and procedures—public market equities[4]	• Move from annual to quarterly reporting of voting records • Description of share-lending process to preserve voting rights where we own 2% or more • Process to review additional materials as required by the SEC • Amendments to the voting principles focused on gender, racial, and ethnic diversity
Climate change statement	Adopted this document, which outlines our view on the challenges that climate change poses to investment management and our approach to those challenges
Timber and agriculture SRI framework	Adopted a framework that outlines our approach for the management of our timberland and agricultural investments and to ensure our business activities are conducted in a manner that recognizes the need to preserve and enhance the quality of our environment and local communities
Real estate sustainability framework	Adopted a framework that guides investment, development, asset, and property management activities across our operations, including activities undertaken by third parties contracted by or in partnership with Manulife Investment Management's real estate arm and acting on our behalf

As of March 2021.

Leveraging functional expertise for accurate reporting

Manulife Investment Management's major reporting initiatives are supported by working groups comprising functional experts from across the firm. Over the past year, we created groups to support our PRI Assessment, sustainable investing report, and this stewardship report. These groups had representatives from the compliance, legal, risk, marketing, and sustainable investing teams, among others, to ensure a comprehensive review of drafted content. These groups met regularly during the drafting process to provide feedback, provide additional substance, or recruit additional experts to offer suggestions and review draft materials.

At the end of the initial writing phase, we circulate drafts of our reports to firm leadership through the public and private markets sustainable investment committees, which comprise executive-level leaders. The respective working groups then incorporate feedback into a final draft for final approval by the public and private markets' sustainable investment committees.

As another check on content, materials are reviewed by an internal compliance team trained to assess documents intended for a public audience. Through its work, the team helps to ensure materials are fair, transparent, and not misleading, and it requires processes to be in place to ensure data and claims are valid and verified by internal stakeholders.

Looking ahead

We'll continue to leverage functional expertise across the firm as we both report on and evolve our stewardship and sustainable investment activities. At the end of 2021, we expect to have had a full year of new engagement recording and proxy voting processes that we can assess for any gaps and then work on improvements in our processes. Our compliance team will also test our proxy voting policy to validate our practices against that document.

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Client and beneficiary needs

Client and beneficiary needs

We seek to support our clients' needs by leveraging our sustainability and investment expertise across a broad range of public and private asset classes, as well as by offering multi-asset solutions. We continuously seek to enhance our product offerings and our reporting in line with industry standards and best practices. We take a consultative approach to meeting our clients' sustainability objectives.

Our approach **to client and beneficiary needs**

One of our core Manulife values is that we "obsess about customers." This value drives us to collaborate with our clients and beneficiaries to understand and meet their needs, and to work with them on accessing our sustainability offering that's most suitable for pursuing their objectives.

The spectrum of our sustainability offering

ESG integration (including active ownership)

Consideration and analysis of ESG factors as part of investment decision-making

Negative (and norms-based) screening

Industry sectors or companies excluded/ divested from to avoid risk or better align with values

Positive or best-in-class (and norms-based) screening

Investments that target companies or industries with better ESG performance

Thematic/ sustainability-themed investments

Investments that specifically target sustainability themes (e.g., clean energy, green property, SDG-aligned solutions)

For illustrative purposes only.

Regular feedback from clients

We work hard to understand the needs and desires of our clients through regular interactions. At minimum, we speak directly with each client on an annual basis. In these discussions, we elicit clients' feedback on their investment goals and will specifically review sustainable investment goals where directed by individual clients. We're a global asset manager investing not only across multiple asset classes, but also serving clients across geographies, and the importance of responsible investment to clients will vary. Some clients are very knowledgeable about sustainable investing and integration, while with others, we work to educate them on the importance of considering such variables and the capabilities we provide.

Clients, therefore, may request very specific actions regarding sustainable investing, or they may simply need information and education. Clients will often articulate requirements in an investment policy statement that can cover preferences ranging from investment objectives and time horizons to risk tolerance and asset mix. Sustainable investment practices continue to evolve, however, which is why touching base with clients regularly regarding their expectations helps us ensure we're best meeting their needs while providing an opportunity to highlight recent changes to our policies and practices.

We always take the opportunity, when meeting with our clients, to articulate our strategic direction for responsible investment and educate our clients on the opportunities we see.

"Some clients are very knowledgeable about sustainable investing and integration, while with others, we work to educate them on the importance of considering such variables and the capabilities we provide."

Our clients are advancing on sustainable investment and stewardship

Over the past year, our clients have asked more and more sophisticated questions about our approach to sustainable investment and stewardship. In light of these questions, we continue to revisit our current practices and iterate forward. Some examples of recent client queries include:

- How are you using ESG factors to drive better outcomes for your clients?
- How is stewardship a component of your investment process?
- How do you attempt to influence companies to improve their sustainability?
- How is information gained from engagement activities disseminated internally?
- How do the sustainable investing team and the investment teams collaborate?
- With which sustainable investment industry standards do you align?

For answers to these questions and for more information about our sustainable investing practices, please visit our website.

Public reporting

We publicly report high-level information about our sustainable investment and stewardship practices through several avenues on an annual basis. As signatories to the PRI, for example, our PRI Assessment Report is made public usually in the third quarter of any given year. Clients will sometimes use this report as a springboard to conduct a deeper dive with us into our active ownership and investing activities.

Manulife Investment Management also produces a publicly available sustainable and responsible investing report on an annual basis. This report provides data and examples of our sustainable investment in action to help current and potential clients understand our philosophy, policies, and approach to sustainable investing. The report covers activities in both public and private markets and showcases a holistic view of Manulife Investment Management's sustainability-focused research capabilities, engagement activities, and asset management practices. The report also demonstrates concrete steps taken at the firm to integrate sustainability considerations into investment decision-making and outlines our key areas of sustainability focus and metrics of success. Focus areas include strong governance, ESG integration, active and responsible ownership, and global collaboration across numerous platforms for broader industry effectiveness.

Our clients routinely request customized reporting to supplement our public reports. On request from a client, for example, we'll provide more detailed information of the engagement and proxy voting activities undertaken in relation to holdings in that client's portfolio. We may share specific engagement outcomes or a review of votes on shareholder proposals to provide information as to how we practiced stewardship on behalf of an asset owner.

Due diligence by clients

Due diligence questionnaires are another vehicle by which our clients are able to clearly articulate what aspects of responsible investment are critical to their goals. These questionnaires may seek greater detail on sustainable investing efforts and results or inquire about our exposure to specific risks. The timing of these questionnaires is typically annual; however, we do have some clients that make inquiries more often.

We track the questions that we receive in these due diligence questionnaires from clients and use that data to determine whether there are any larger trends in client expectations. Any trends that we identify may help us prioritize our updates for sustainable investment and stewardship over a given year.

Looking ahead

In 2020, we began piloting the provision of enhanced client reports on a variety of sustainability metrics for certain public asset classes. The feedback we've received so far has been very positive. As we conduct our annual client due diligence discussions, we look forward to additional feedback from clients on the information and metrics that are most important to them. We anticipate strengthening our client reporting based on that feedback in 2021. We're also working to evolve our reporting practices in line with industry standards and client requests in private asset classes. We expect our reports to clients to become more focused on outcomes and impacts over time, alongside more quantitative metrics.

A message from Paul R. Lorentz

Stewardship and portfolio resilience

Stewardship Code principles and our practices

Stewardship, investment, and ESG integration

Stewardship, investment, and ESG integration

We recognize the critical connection between deciding to invest and maintaining a strong program of stewardship to protect each of our investments. The central objective of our approach is to strengthen the potential risk/reward profile of our clients' portfolios.

In all asset classes, we're committed to continuing to integrate ESG analysis alongside our fundamental research process, and we seek to create a positive impact by engaging with investee companies to mitigate ESG-related challenges and enhance ESG-related opportunities. We believe that identifying and assessing material sustainability issues help us protect and enhance the value of the assets we own or operate.

Our approach to ESG integration

We seek to incorporate material ESG considerations throughout the stages of our investment and lending lifecycles, considering the characteristics of the asset class and investment process in question, as well as industry and geography, among other factors. In our capacity as stewards of capital, our investment approaches go beyond conventional financial statement analysis. Our investment strategies that have fully integrated ESG analysis monitor a company's strategy, capital structure, and management of ESG risks and opportunities on an ongoing basis. In our operating activities, we hold ourselves to a high standard of sustainability. We do this to both protect and grow the value of the assets as we create long-term value for our stakeholders.

Centralized support from sustainable investment professionals

Our group of 21 sustainable investment professionals reinforces and strengthens ESG integration and stewardship activities across our investment teams and in all asset classes. This support extends across the investment, product, and asset class lifecycles and includes:

- **Analysis of sustainability risks and opportunities—**Our investment teams integrate ESG factors into their valuation strategies across portfolios using both ESG data sets and through qualitative analysis of firm reports and governance mechanisms. The sustainable investment teams work with investment professionals to understand and leverage this information in its investment analysis.
- **Development of tools to aid sustainable investment—**Our sustainability professionals identify tools that help investment teams assess ESG risks and opportunities and develop new tools where we see an opportunity to add value. Recently, for example, the sustainable investment team developed a momentum-adjusted risk assessment tool for sovereign bonds that helps identify ESG risks and opportunities.
- **Engagement with management teams—**Today, engagements between Manulife Investment Management and issuers consistently involve discussions of material ESG factors. Our sustainability professionals support these engagements by identifying, and leading dialogue on, these material issues. This group also supports our investment teams in working to influence company management to pursue outcomes that will improve its given risk/return profile.
- **Training and education—**The sustainable investment teams provide training to investment professionals throughout the year. In 2020, for example, investment professionals attended training on the most recent climate standards and on cutting-edge research that demonstrated a correlation between sustainability performance and financial performance. The sustainable investment teams also support an internal ESG information hub, where we collect headlines and research on sustainability topics.
- **Guidance on exercising rights—**As our investment teams review the exercise of certain rights associated with an asset class, our sustainability professionals will advise our investment colleagues on the intersection of sustainability factors and the exercise of their rights. Support can range from research in proxy voting decisions for equity to the identification of sustainability factors that may help us exert influence through a credit event in our fixed-income holdings.

ESG analysis in our investment process

For illustrative purposes only. For more information on our ESG integration processes, please see our sustainable and responsible investing report.

Public asset classes

Each investment team operates in different markets and with different nuances to its approach to investing. Accordingly, each team integrates ESG factors into its investment process in a manner that best aligns with its investment approach. Each team bears responsibility for the evaluation of ESG factors throughout the due diligence and decision-making processes in the pursuit of risk-adjusted returns and capital preservation.

How we use third-party ESG data

ESG integration across different public asset classes includes the integration of third-party vendor data; this is a preliminary step in our process. Manulife Investment Management receives and reviews ESG scores, ratings, and data from a number of external data vendors, which creates a more comprehensive third-party assessment of constituents.

Decisions to include or terminate positions aren't made based on single ESG ratings; there may be instances in which we review companies with less favorable ratings. Rather than serve as grounds for exclusionary measures, we review and examine third-party data to understand the drivers behind such ratings, which creates an opportunity to engage with companies to further understand the underlying sustainability characteristics of their business.

Internal assessments of our ESG integration efforts

To instill a sense of responsibility among our public markets investment teams, Manulife Investment Management has developed a proprietary, internal system to assess and monitor the level of each team's ESG integration efforts. Our goal is to have 90% of our public markets investment teams achieve the highest level of integration by the end of 2021.

Fixed income

Across our fixed-income strategies, our investment teams have access to a variety of tools that support their ESG integration processes. Examples include our:

- **Proprietary sovereign ESG risk model—**A unique product of collaborative work between our global ESG research and integration team and veteran sovereign debt and multi-sector fixed-income professionals
- **ESG credit risk analysis template—**Helps our teams assess the potential impact of ESG factors on spreads and default risk

Our approach to fixed-income ESG integration is adapted to identify the material issues within each industry. In addition to the materiality of ESG risks, our investment professionals seek to assess the timing of likely impact.

Credit analysts are responsible for completing an ESG risk assessment and can use the ESG risk profile to adjust the relative value ranking of names within a given industry.

Listed equity

In addition to using internal and external ESG data to identify higher- and lower-risk stocks, our teams actively engage with company management to assess a company's exposure—and potentially help enhance its resiliency—to different types of ESG risks. This insight can help shape the teams' modeling and define sensitivities around their estimates of fair value. Examples of ESG integration in listed equity include:

- Using known or perceived ESG risks to identify potential risk over- or understatements
- Using carbon-risk data to flag the level of climate risk exposure for an individual issuer and to develop a range of potential risk outcomes for the company in question

Private asset classes

In our private markets portfolios, we're frequently investors in and simultaneously operators of assets, which we believe gives us a unique perspective on sustainable business practices and concerns. For example, where we invest and operate assets in our real estate, timber, and agriculture portfolios, we seek to raise the bar of sustainable investing and stewardship while enhancing the value of our assets and having a positive impact on all our stakeholders. In our infrastructure and private equity and credit investments, we focus on building strong relationships with companies, sponsors, and co-investors, which enables a meaningful approach to sustainability and enhances our influence over key assets and portfolio companies.

Moreover, as long-term investors and as a steward of our clients' capital, we're able to use our broad experience with sustainability implementation, research, governance, and collaboration to manage sustainability risks and opportunities over extended time horizons in all our asset classes.

Infrastructure

The importance of sustainable investing in infrastructure is particularly apparent due to the long-term nature of the assets and investment horizon. As such, we believe that good management of sustainability risks and opportunities in our infrastructure investments can lead to long-term sustainable returns.

Our team's integration practices include two key steps:

- Use our proprietary ESG due diligence process, based on a combination of external resources from SASB and the PRI and our own expertise
- Document ESG due diligence in an investment memorandum that's evaluated during the investment committee approval process

Once an investment is made, the infrastructure team continues to monitor all material aspects that might affect an asset or company, including ESG factors. The infrastructure team typically seeks board representation, strong protective controls, and/or strong protective governance positions in its portfolio companies. This enables the team to exert influence or veto power regarding key decisions made with respect to a company's commercial or financial operations and, at times, the management of relevant ESG factors.

Real estate

As building owners and operators, we follow five sustainable real estate commitments:

1. Minimize our environmental impact
2. Support health and wellness
3. Engage our stakeholders on sustainability
4. Promote responsible business practices
5. Be accountable for our performance

Our approach to sustainability in real estate is based on responsible property investment and aligns with global standards and benchmarks, including GRESB.

We incorporate ESG considerations into all our investment management and operational practices across the entire real estate value chain, from development and acquisition of an asset through all aspects of asset management. In addition, we've formalized sustainability initiatives for investments, operations, property management, and leasing. These practices are supported by resources such as our Sustainability in Investment and Due Diligence tool, sustainability clauses in our standard lease, and our Sustainable Building Standards. In cases in which third-party managers are responsible for managing properties on our behalf, we require them to adhere to our standard practices.

Across our global portfolio, we set energy reduction targets, as well as targets for water use and waste diversion. In 2020, we set a GHG emissions-reduction target. We report on progress toward these targets annually in our publicly available real estate sustainability report.

Timber and agriculture

The guiding principle of our timber and agriculture businesses is that good stewardship is good business. As managers of major forest and agricultural holdings throughout the world, we have an opportunity to contribute to solutions to global sustainability challenges.

We consider all factors that may have material financial implications for those investments—including sustainability factors. Sustainability factors are particularly salient for land-based real asset investments, and our timber and agriculture businesses are built around five pillars of sustainability:

1. Climate stability
2. Ecosystem resiliency
3. Watershed protection
4. People empowerment
5. Community prosperity

Our businesses integrate sustainability and responsible investing into our investment screening and underwriting by adhering to the International Finance Corporation Equator Principles, conducting comprehensive environmental, biological, and social reviews on all targets, and by considering priorities. Our timber and agriculture businesses also integrate sustainable practices into property management through implementation of stewardship principles aligned with third-party certification standards in sustainable forestry and agriculture.

Private equity and credit

Within private equity and credit, the ability to analyze potentially material sustainability issues prior to making an investment allows us to properly account for potential downside risks.

The private equity and credit teams conduct an ESG assessment of each investment during due diligence and incorporate findings into their fundamental analysis. For our co-investments, secondaries, senior credit, and junior credit, an ESG assessment is done of the sponsor as well. To inform their assessments, the teams use an internally developed ESG due diligence tool, which is based on external resources from SASB and the PRI as well as our own expertise.

The outcomes of ESG due diligence are documented in the final investment memorandum, which is presented during the investment committee approval process. ESG documentation in the investment memorandum includes a summary of material sustainability factors, identification and discussion of red flags, areas for improvement, the sponsor's plans to address any gaps, and areas in which the portfolio company is already well advanced.

Once an investment is made, the teams work closely with their investment partners to monitor all material items that might affect the investment or company, including sustainability factors. The investment teams leverage a variety of tools such as shareholder rights, board seats, and our broader relationships with investment partners, who typically control the underlying portfolio companies, to ensure material sustainability issues aren't overlooked.

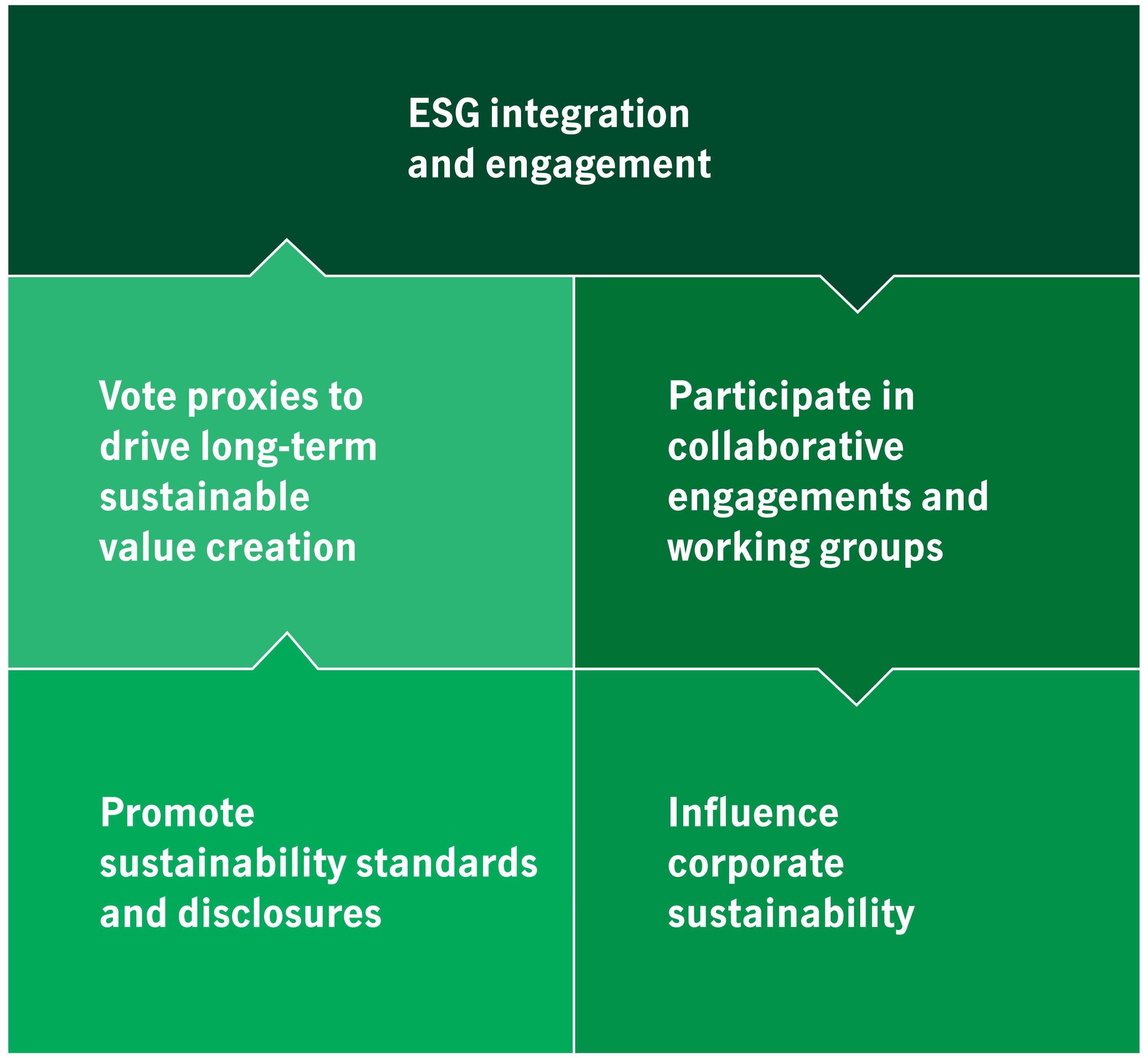
Connecting investing and stewardship

Active ownership is a key component of our investment and ESG integration processes. Through our stewardship activities, we exemplify sustainable management—or influence the management—of assets to preserve and unlock value within our portfolios.

As investors, we exercise our rights and engage with stakeholders to influence the adoption of best practices in operations, reporting, oversight, and governance of material sustainability risks and opportunities. Our investment teams execute active ownership rights and responsibilities in collaboration with partners in and outside the firm.

In the case of proxy voting, to take an important example, multiple functional areas collaborate with our investment and sustainability teams to execute our rights in accordance with voting policies while seeking to arrive at decisions that will benefit clients. Drilling down into another example, we adopt and execute on best practices in forestry management to ensure that we can extract value from our timberland assets today while maintaining the sustainability of our assets over the long term. These stewardship practices are vital to the successful performance of our portfolios.

Stewardship activities can advance sustainability objectives and operating strength



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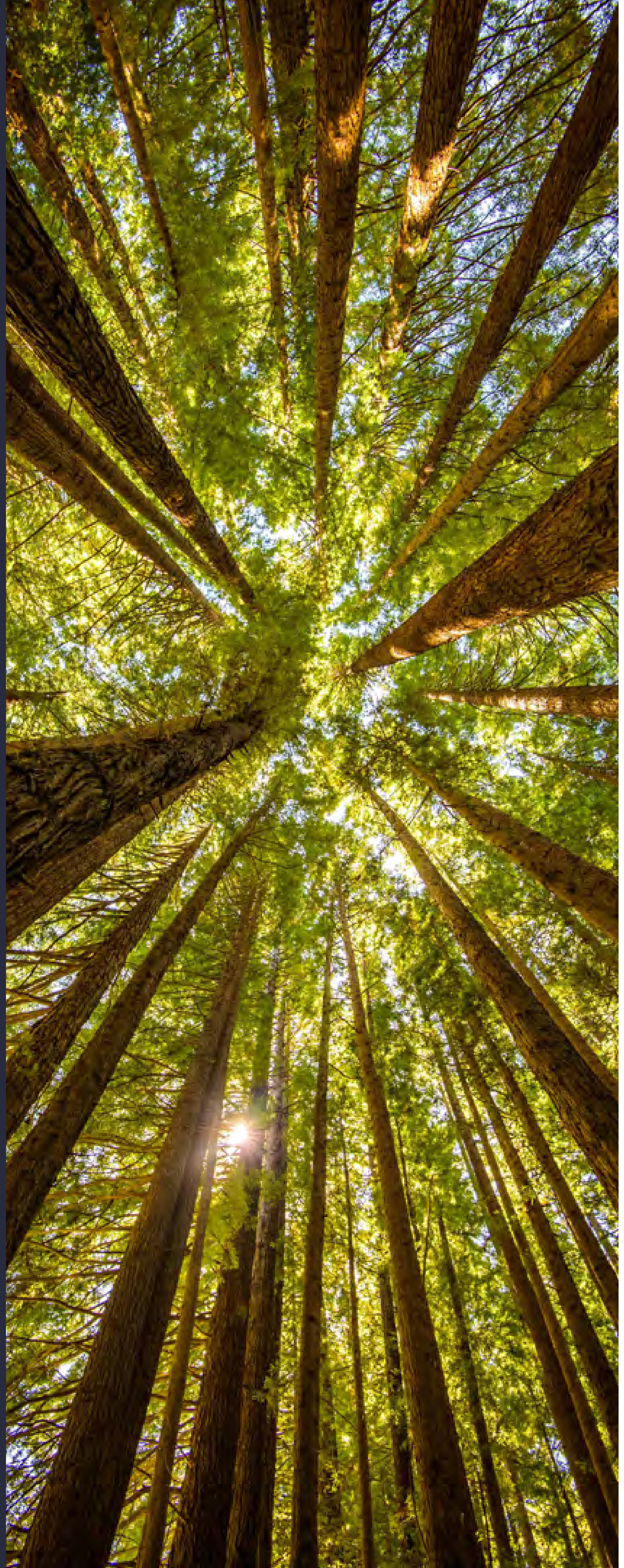


Looking ahead

Since adopting our inaugural ESG policy in November 2015, we've rapidly embedded sustainability factors into our investment processes and operations and demonstrated innovation and commitment in what continues to be an evolving field. We anticipate organizing more thematic training work in 2021 to focus more specifically on various emerging areas of sustainability, and we anticipate publishing further statements to assist clients in understanding our approach to a number of sustainability issues.

Monitoring managers and service providers

Manulife Investment Management is committed to ethical business practices and good governance, both of which are integral to how we want to do business and to our long-term success. Achieving this requires a commitment to integrity and consistent high standards from all partners, including our vendors.

Our approach to working with providers

A vendor code promoting integrity and performance

In order to best ensure that our vendors act with integrity and meet our consistent high standards, we ask providers to adhere to the requirements of Manulife's vendor code of conduct. The vendor code of conduct requires of vendors:

- **Full compliance with applicable laws and regulations** at all times, including with anti-money laundering, anti-trust, and anti-corruption laws
- **Robust security of firm and client data through adherence** to all privacy and nondisclosure agreements and policies, processes, and controls to ensure that all information and data provided by Manulife Investment Management remain confidential and secure

- **Commitment to its employees** through fair employment and labor practices, a culture that treats associates with dignity and respect and a workplace that provides protection against workplace harassment, abuse, discrimination, and violence
- **Processes to identify human rights issues in the supply chain,** first through compliance with all applicable anti-slavery and human trafficking laws, statutes, regulations, and codes, and then through due diligence processes across their operations and supply chain to eliminate and prevent violations of human rights
- **Safe workplaces** that provide healthy and safe environments for their employees and practices in place to minimize or eliminate any hazards
- **Limited impact on the environment** through documented policies and procedures that minimize, or mitigate, the environmental impacts associated with business activities

We reserve the right to monitor, assess, and audit all vendors according to our vendor code of conduct, and we may discontinue business with any vendor that doesn't comply with our code's provisions.

Ongoing evaluation and oversight

We monitor vendor risk and performance throughout the life of a partnership with a vendor through both formal and informal avenues. Our procurement team partners with local business units to conduct regular reviews of service provider capabilities. These reviews provide a snapshot into vendor performance at a point in time but, taken together, show performance trends over the term of the business relationship. We score vendors through these assessments on:

- Quality of products and services
- Knowledge and technical expertise
- Data integrity
- Billing and invoicing
- Focus on generating efficiencies
- Timeliness of services and reporting
- Incident response
- Relationship management
- Adequacy of staffing and resources
- Commitment to collaboration

We also work with our vendors—often on a daily basis—regarding their products and services, and we frequently communicate about best practices and, as necessary, where we'd suggest vendors make incremental improvements to products and services. This communication creates more dynamic partnerships that allow us to respond quickly to the changing business environment and our clients' needs.

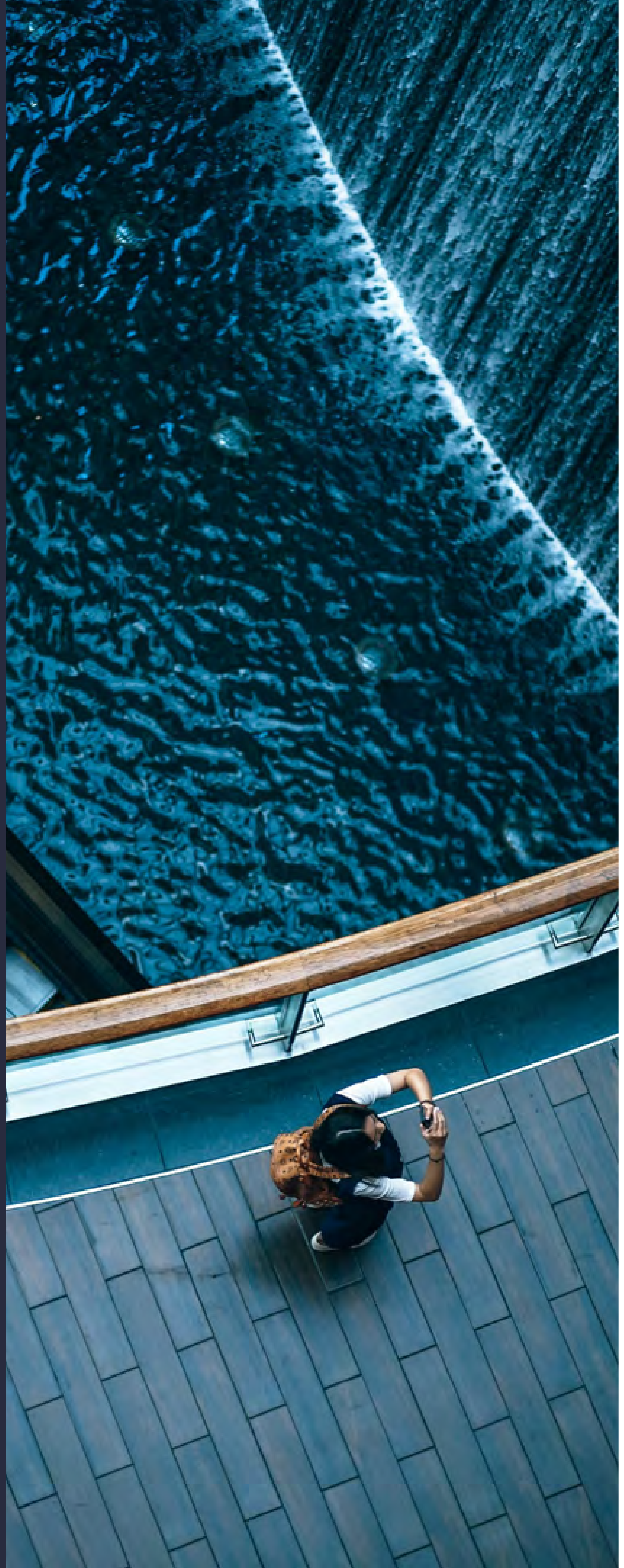
We remain focused on the integrity of ESG data

The quality, breadth, and delivery of ESG data and research are directly tied to our success as a firm, given our belief that ESG integration drives performance across the spectrum of our products and services. The dynamic nature of sustainable investing requires us to identify, and partner with, vendors that not only provide robust data and research today, but also demonstrate the ability to innovate and anticipate the trends of tomorrow.

We regularly assess new products as part of our ongoing due diligence around emerging data sets and tools and to ensure we continue to work with the providers that best match the needs of Manulife Investment Management, our clients, and our stakeholders. In 2020, for example, we observed a significant increase in ESG data and research providers that use artificial intelligence to capture alternative data sets and perform sentiment analysis as the industry works to maximize the potential of this fairly new technology.

We work regularly with our current ESG research and data providers to improve their services; we've generally found, for example, that ESG data and research are more widely available for public equities than for public debt. We're working with our providers to expand debt issuer coverage, especially for issuers that aren't listed equities, as well as for smaller and emerging-market issuers. We perform regular data assessments of our vendors, and in 2020, one such assessment revealed that about 10% of the information was stale and/or incorrect in the universe of securities we regularly research. Where error rates are problematic, as they were in this instance, we have the data updated and/or corrected and seek assurance from the service provider that its processes are improved to prevent similar issues in the future. We track all such vendor engagements and requests for improvement for regular review so that we can address any substantial issues during the contract renewal process.

Manulife Investment Management holds a due diligence review of our proxy vendor on an annual basis. Functional specialists from across the firm attend this meeting, including leaders from procurement, compliance, legal, operations, information security, and investments, to ensure that various aspects of the proxy vendor's operations and business are closely scrutinized. We review ethics and conflicts of interest policies, regulatory updates, holdings management, vote execution, research, policy development, information security, service updates, and material changes to the vendor business over the past year. Items from this meeting can drive dialogue between Manulife Investment Management and the proxy vendor over the following months as we gather relevant information and work toward service enhancements.



Looking ahead

Vendor and data service offerings continue to evolve at a rapid pace, and we look forward to evaluating new vendor capabilities and functionality over the coming year. We hope to identify new features and providers that will help us best integrate sustainability data into our investment processes and support our product suite. We'll also have passed our first anniversary of tracking vendor engagements and requests for service enhancements, and we hope to benefit from vendor changes tailored for our specific needs. We also look forward to continuing our collaboration with our external managers as we review their stewardship practices and partner with them to align with our stewardship expectations.

A message from Paul R. Lorentz

Stewardship and portfolio resilience

Stewardship Code principles and our practices

Engagement

Engagement

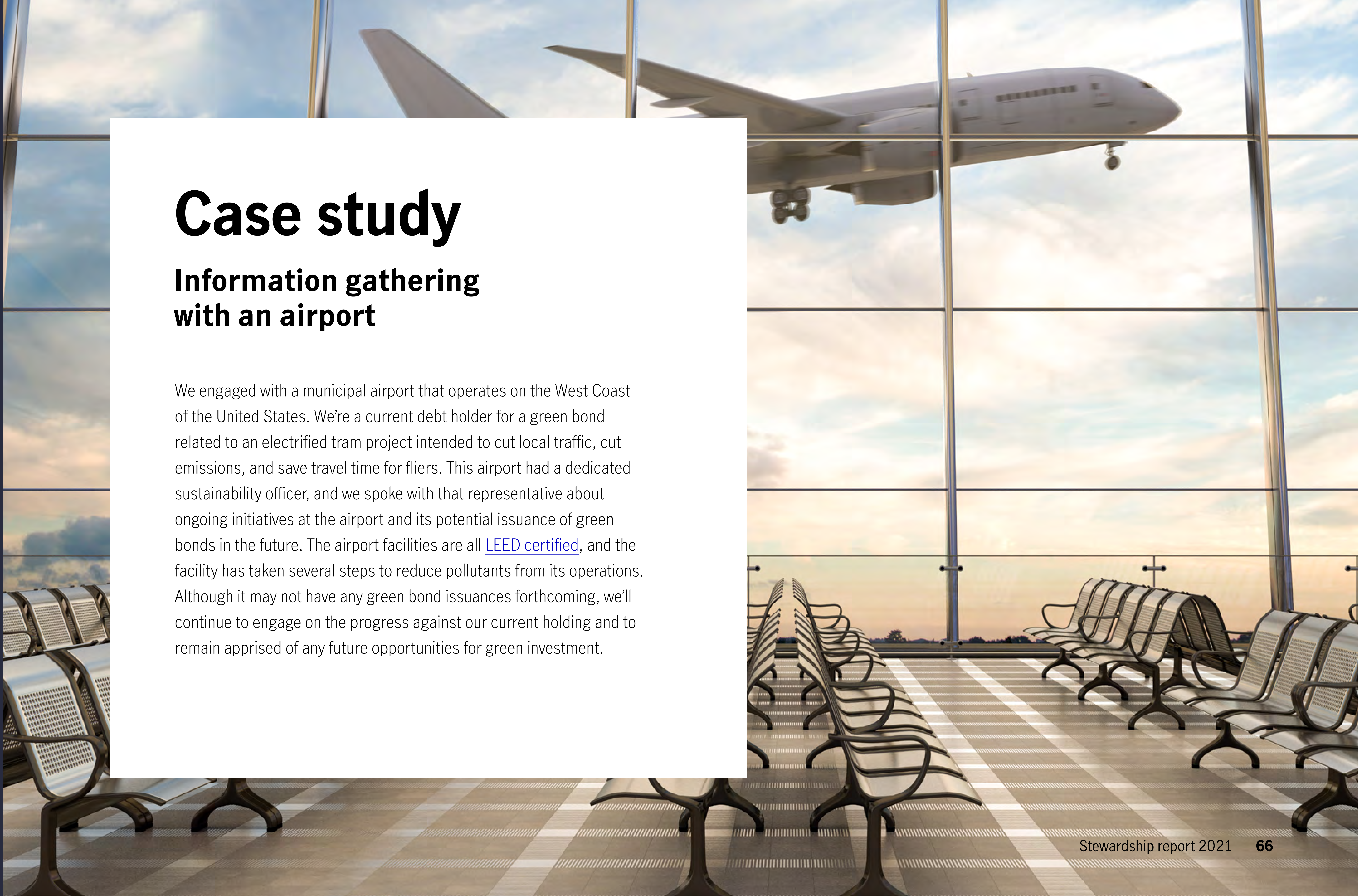
We believe that engaging with companies in which we invest and voting thoughtfully are the linchpin of an actively managed approach to sustainable investing. These forms of active ownership can contribute to the long-term sustainability of our investee companies while improving the sustainability of their business models and reducing risk.

Our approach to engagement

We use engagement as a tool to both gather information and to influence other stakeholders to adopt best practices. Engagements help to deepen our understanding of the sustainability issues that underpin a company's strategy and provide the opportunity for companies to better understand our investment process and objectives. As investors, we also play a critical role in influencing companies to adopt sustainable business practices that promote stable long-term growth and reduce the potential impact of material sustainability risks over time. We engage with companies on a range of substantive corporate, strategic, and ESG matters that could alter the valuation, fundamental standing, or strategy of these companies.

Different audiences by asset class

In public markets' engagements, we have similar conversations across our portfolios, but the representatives with whom we speak can differ by asset class. In equities and corporate bonds, for example, we seek to interact with senior management teams. When engaging sovereign bond issuers, we look to speak with a government representative in an environmental or financial role. In the case of municipals bonds, we open a dialogue with local finance and elected officials.



Case study

Information gathering with an airport

We engaged with a municipal airport that operates on the West Coast of the United States. We're a current debt holder for a green bond related to an electrified tram project intended to cut local traffic, cut emissions, and save travel time for fliers. This airport had a dedicated sustainability officer, and we spoke with that representative about ongoing initiatives at the airport and its potential issuance of green bonds in the future. The airport facilities are all LEED certified, and the facility has taken several steps to reduce pollutants from its operations. Although it may not have any green bond issuances forthcoming, we'll continue to engage on the progress against our current holding and to remain apprised of any future opportunities for green investment.

In-house engagements focused on outcomes

Manulife Investment Management conducts all engagements using internal staff; we don't delegate the responsibility of engagement to a third party. We take this approach because we believe the findings from our engagement efforts are a piece of the mosaic to determine intrinsic valuation, which provides an improved risk/reward profile for our portfolios. In public markets, we prioritize engaging with companies in which our assessment suggests that sustainability factors are potentially material to an investment's risk/reward profile. At the same time, we also consider the significance of an investment within a given portfolio, Manulife Investment Management's degree of influence, and the expected contribution to long-term value creation from a successful engagement.

We establish objectives and milestones in our engagement efforts. Once we identify a material issue, we aim to collaborate with a company to address the matter. We then track the firm's progress on the matter over a reasonable timeline. We regularly evaluate improvement at these issuers and, in the event that we're unsatisfied with the progress, we may escalate a given issue.

All public markets' investment staff contribute to a centralized recordkeeping and tracking system that's maintained by the sustainable investing team. With this system, we track requests to a company and whether management progress meets our expectations against a defined timeframe. This internal portal is open and collaborative, which encourages discussion among investment staff across strategies.

Our milestone system in public markets helps promote real change

1. Concern raised with company at the appropriate level
2. Acknowledgement of the issue—agreement to take action (in writing/verbally)
3. Development of a credible strategy—set stretch targets to address the concern
4. Implementation of a strategy or measures to address the concern

For illustrative purposes only.

Case study

Focus on safety at an industrials firm

One of our equity teams engaged with a small-cap industrial technology company over the past year, requesting that the firm improve disclosure related to material sustainability factors. In the conversation with the corporate secretary, head of facilities, and investor relations, we requested that the firm routinely disclose data related to long-term incident rates. The company has since committed to increasing disclosure related to health and safety, and we'll monitor future disclosures to ensure reported information is useful, material, and consistent year over year.

From engagement volume to a focus on impact

Over the last five years, Manulife Investment Management significantly increased the number of conversations with issuers across both the investment and sustainable investing teams. More recently, we shifted our focus from the pure volume of conversations to our success in influencing firms to mitigate the impact of material sustainability risks. Although we recognize that the focus on outcomes-based engagements can take months—if not longer—to achieve our desired results, we believe our focus on collaborating with firms to mitigate risk is beneficial to our portfolios and clients over the longer term.

Engaging partners in private assets

Throughout the investment lifecycle of all private asset classes, we continuously engage with our co-investors, investees, and business partners to encourage adoption of best practices, and we monitor the ESG-related data available to help ensure the efficacy of our approach. In private markets, we directly operate our timber, real estate, and agricultural assets and weave sustainability into our operational strategies and execution.

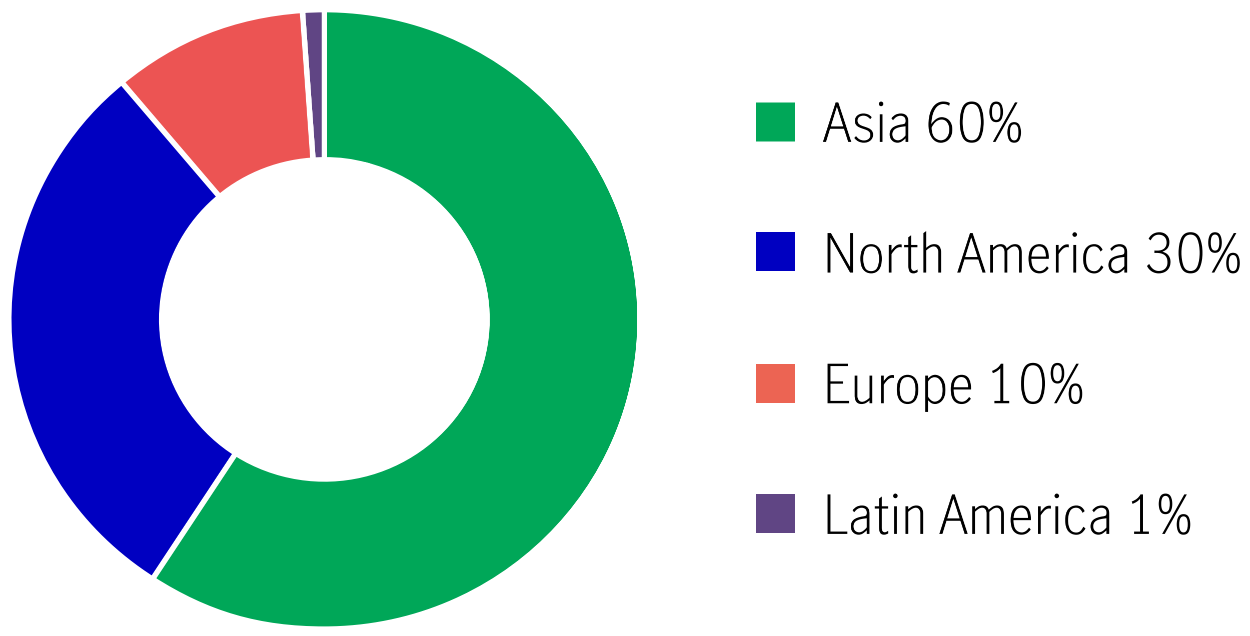
Where we don't operate assets, we build meaningful partnerships with leading operators and sponsors. Once we invest, our team maintains a close relationship with the management teams of companies and our investment partners to continue monitoring material aspects of the investment, including ESG factors. In some cases, we may take a position on a board; in other cases, we may request protective governance rights and controls.

1,122
total engagements in 2020

985
issuers engaged

38
influencers, regulators, NGOs, governments, and vendors engaged

Engagements by region



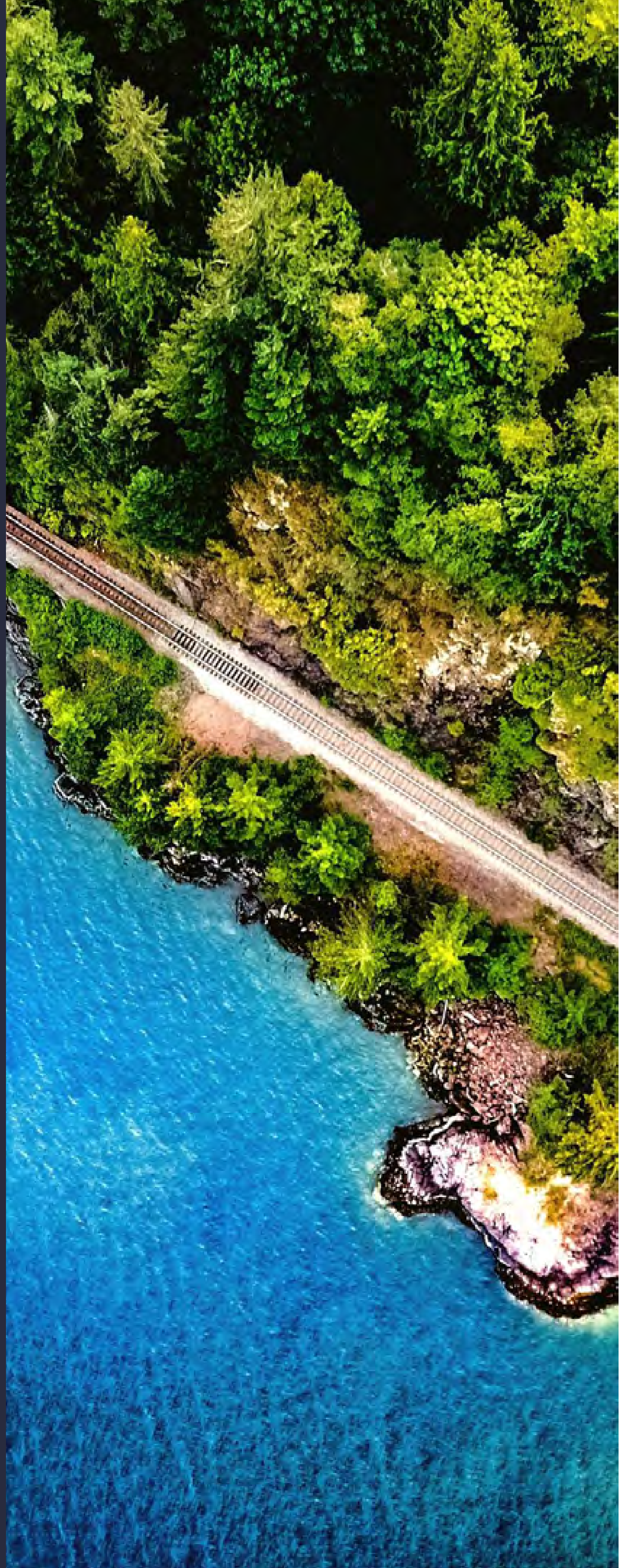
As of December 2020. Percentages may not add up to 100% due to rounding.
NGO refers to nongovernmental organization.

Engagement

Case study

Diversity improvements at a utility

Our private markets' infrastructure team recently engaged with a utility company in the Northeastern United States that served a diverse base of customers. Over the past year, the utility experienced turnover on the board and in upper management. The company had made recent progress in improving diversity within its ranks, but our infrastructure team used the recent turnover as an opportunity to encourage the firm to find candidates who best represented the customer base and who complemented existing management and board skills. As a result, the company increased the diversity of the management team with three new additions, including two external hires and one internal promotion.



Looking ahead

In 2021, we'll continue to focus on outcomes-based engagements. We anticipate setting goals by investment team to ensure that sufficient outcomes-focused engagements are in progress at all times. We also plan to review our approach to prioritizing our engagement activity and determining whether to approach a specific subject directly or collaboratively.

Collaboration

Around the globe, we participate in a wide variety of collaborative engagements with industry peers, nonprofits, nongovernmental organizations, and supranational entities. This work allows us to expand the scope of our sustainability-focused activity while helping us build more resilient portfolios. Our collaborative engagements may focus on individual investments and systemic risks—and sometimes both.

Our approach **to collaborative engagement**

Collaborative initiatives allow us to pool resources with, and to learn from, peers and third parties while also amplifying our influence as we encourage changes across issuers, markets, and policymakers to build resiliency in our investments and portfolios.

Our collaborative efforts take various forms, but typically focus on the identification of systemic risks (e.g., transition or physical risk related to climate change) and the collective action we may take to address these risks. Our activities may target change at a systemic level, such as through creation of a biodiversity framework for disclosure; at the industry level through our role on the SASB Financials Standards Advisory Group; or may target a group of companies on a thematic issue as through Climate Action 100+. We may also join a collaborative effort as a means of escalation regarding risks at a single issuer. Through this work, we never lose sight of the goal of building resiliency in the assets we manage. For a full list of our collaborative initiatives, please see our sustainable and responsible investing report.

Amplifying our impact through collaboration

Market education

We engage with a wide range of industry participants and seek to be a leading voice

Regulator/policy focus

We support regulators' efforts to formalize the sustainable investing industry

Issuer focus

Our collaborative leadership helps us steer markets and the economy

For illustrative purposes only.

Engaging systemic risk one investment at a time

Several initiatives to which we belong work to address systemic risks but do so by working toward singular outcomes at individual issuers. We believe that addressing some risks through coordinated and focused action will gradually lead to a strong sustainability profile across our portfolios.

As part of our evaluation of various initiatives, we consider the size of our investments covered by the initiative, the materiality of a given issue, and the resources we'd need to dedicate to the collaboration, among other factors. Once we decide to join a collaborative engagement, we work to lead discussions with those investments in which our holdings are most affected. Apart from outcomes achieved through our efforts in engaging individual management teams, we also deepen our expertise on issues by learning from our peers and other market participants across a range of sustainability issues and stewardship practices.

Influencing the market through collaboration

We also work to shift market practices through the development or support of sustainability standards in peer collaborations. Rather than focus on a single issuer in a given engagement, we work through these initiatives to encourage entire industries or markets to adopt best practices in governance, operating, or disclosure standards. We find that these initiatives help us articulate what practices and information we find most valuable in our investments while learning from peers and third parties about the most recent research and thinking on current and emerging risks.

A partnership with Climate Action 100+

We joined Climate Action 100+ as a founding member in 2017 in order to encourage firms to improve climate-related governance and disclosure and to reduce emisssions across the value chain. We've led, and continue to lead, several issuer engagements since joining. Most recently, we worked on engagements with three large energy companies in China. While we didn't hold significant positions in these issuers, we felt engagement was important as a means of addressing systemic risk on both a local basis and globally. These firms now face significant transition risks associated with the Chinese government's commitment to net zero emissions by 2060. All three companies have since launched special research institutes and partnerships to develop emissions' peaking and neutrality development action plans. One firm committed to a near net zero goal by 2050, set up a hydrogen technology-focused joint venture, and committed to invest more than US$1.5 billion per year on new energy through 2025.

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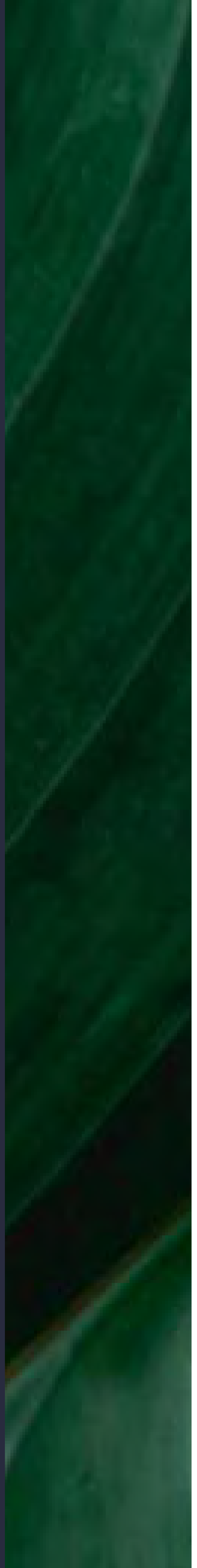
Collaboration



Partnering through credit events

Our fixed-income investment teams sometimes collaborate with fellow investors and other stakeholders in response to a credit event. This past year, for example, we joined 10 other investors to bring a firm through in-court bankruptcy over an eight-month period. We actively engaged the old equity owners and management about in-court restructuring to proactively address the unsustainable capital structure. The process involved active negotiation of exchange terms with the former and future equity owners as well as management. Through this process, we were also involved in negotiating and setting corporate governance terms, including board composition, merger-and-acquisition provisions, and transfer rights. The outcome was a successful restructuring of debt through which we ended up owning an equity stake in the issuer.

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Collaboration

Developing a standard for sustainable agriculture

In 2017, we partnered with colleagues across the agriculture sector to forge a shared standard for farmland management. At the time, the agriculture sector lacked a sustainability standard that could work across different crop types, production systems, scales, and geographies. Using the Sustainable Forestry Initiative® blueprint to create a similar standard for farmland, the working group collected input from a broad representation of interested parties—some four-dozen sources, including farmers, environmental leaders, academics, government agencies, and investment managers. The resulting standard, the Leading Harvest Farmland Management Standard, is performance based and designed to help land managers achieve sustainability through continuous improvement on 13 specific operational objectives, collectively rigorous and complete, yet practical and obtainable. We continue to advance sustainable agriculture through our position on the board of Leading Harvest.

Previous Next

Making strides for gender representation on boards

As members of the 30% Club Investor Group, Canada, we've aligned our efforts to its goal of achieving a minimum of 30% women on boards and at the executive management level by 2022. Where companies haven't met these requirements, we've encouraged the board to adopt an approach with a time-bound commitment to achieving these minimal levels of diversity. According to a 2020 study by Osler, women now hold over 21.5% of board seats among TSX-listed companies that disclose the number of women on their boards—this represents an increase of almost 3% compared with 2019. Over 28% of Canadian companies have adopted a target for the proportion of female directors on their boards, and we look forward to continuing to work with issuers to achieve the 30% goal.

Working with peers on policy

The regulatory environment and momentum around sustainable investing have shifted significantly over the last several years. As we navigate these regulatory developments, we work to influence policymakers and advocate for an operating environment that encourages sustainable business operations, protects and enhances investor rights, and encourages disclosure of material nonfinancial data and information. We find that our views on these matters often align with those of our peers, and we've found significant benefits in partnering through investment manager associations, including the Securities Industry and Financial Markets Association (SIFMA) and the Investment Company Institute (ICI Global). SIFMA and ICI Global facilitate peer dialogue on developing regulations and disclosure frameworks that provide a forum to deliberate over the ramifications of certain proposed policies and ultimately provide feedback to regulators and other standards-setting bodies through comment letters.

In 2020, we contributed to several comment letters

- **EU consultation on renewed sustainable finance strategy—**This initiative was intended to encourage resiliency in the financial system and encourage management of climate and environmental risk across investments. Through our collaborative response letters, we noted, among other concerns, that asset managers first need standardized and comparable data from issuers before we can truly and routinely measure our impact through our portfolios.

- **U.S. Department of Labor ERISA regulation of ESG funds—**In 2020, the U.S. Department of Labor sought to amend rules around certain U.S. retirement funds (Employee Retirement Income Security Act of 1974 (ERISA) funds) in order to discourage trustees of these assets from investing in investment products with nonpecuniary objectives. We joined our peers in opposition to the proposed rule, noting that consideration of nonpecuniary factors, while not easily quantifiable, can be material financial factors in an investment decision.

- **Hong Kong soft consultation on proposed regulatory responses to climate change—**This consultation requested input from the market regarding required disclosure from asset managers around climate change. In an attempt to prevent duplication of efforts across markets, we encouraged the local regulator to consider standards that don't conflict with other markets, such as EU requirements.

In 2020, we contributed to and supported many collaborative initiatives

Climate

Climate Action 100+
Founding member, lead, and supporting investor

UNEP FI TCFD pilot project (Phase II 2021)
Member

ESG disclosure and transparency

Joint investor letter to the U.S. SEC on disclosure of payments by resource extraction issuers (Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act)
Signatory

IAG of the SASB Alliance
Chair the exchanges working group

Nature and biodiversity

Investor statement on the need for biodiversity impact metrics
Signatory

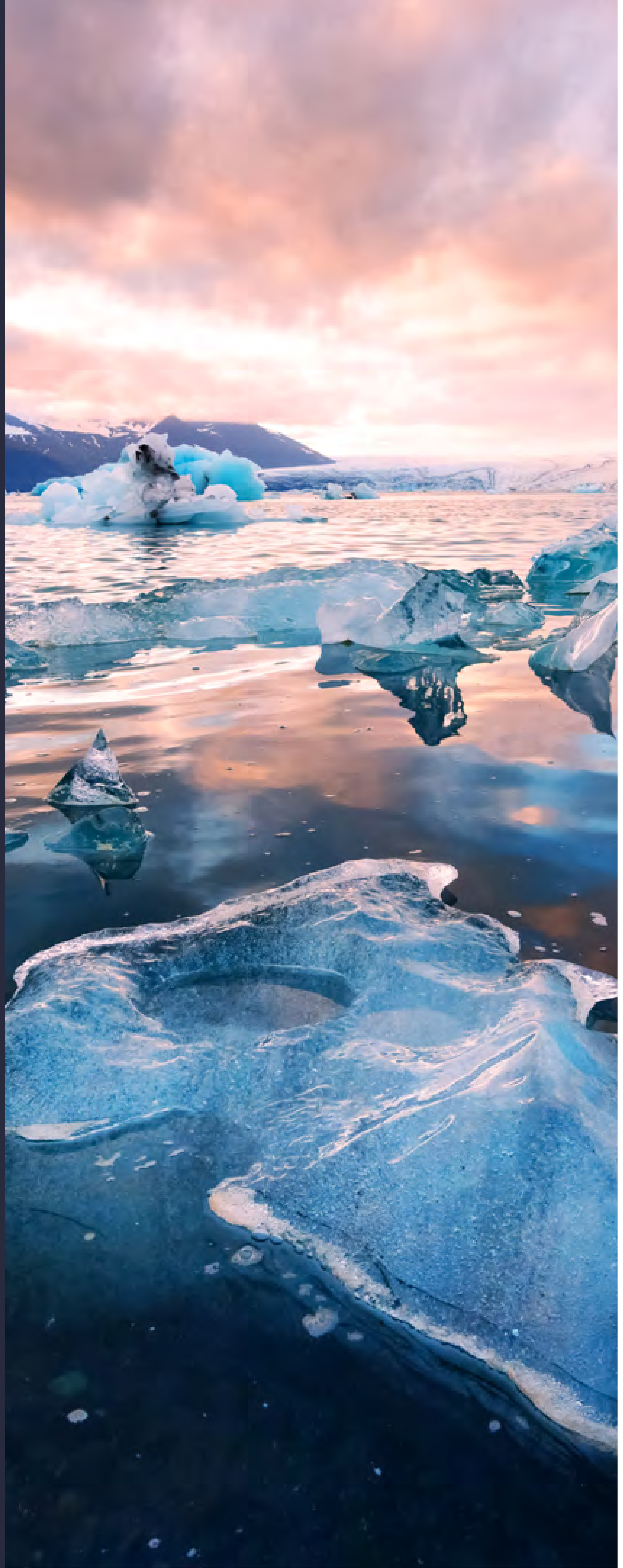
Informal working group developing the scope for the TNFD
Member

Sustainable Forestry Initiative, resources committee
Member

Leading Harvest
Board of Directors

Gender diversity

30% Club Investor Group, Canada
Member



Looking ahead

In 2021, we'll continue to work on collaborative initiatives where we believe we can have the greatest impact. While we've seen beneficial targeted outcomes from our collaborative initiatives, we also recognize that the pace of change can be slow; for example, while we've seen progress in the area of gender diversity at the board level in Canada, there's been very little change at the executive level.

Regarding climate and biodiversity issues, the extent of systemic risk is alarming. Our collective progress toward global biodiversity targets, including those of the UN's Sustainable Development Goals, is insufficient to date. Biodiversity is declining globally at unprecedented rates, with dire potential consequences for people and our planet. We'll continue to focus on biodiversity in 2021 through collaboration with the TNFD. Through the TNFD, we expect to partner with UN organizations, companies, financial institutions, and other organizations to collectively work on the launch of a disclosure framework for biodiversity risks, which we hope will accelerate action in this critical area.

A message
from
Paul R. Lorentz

Stewardship
and portfolio
resilience

Stewardship
Code principles
and our practices

Escalation

Escalation

Manulife Investment Management works to employ best practices in risk mitigation across assets and portfolios and will escalate a given risk where management doesn't meet that best-practices expectation and standard.

Our approach **to escalation**

Encouraging best practices in risk mitigation and opportunity maximization

Through our stewardship practices, we collaborate with stakeholders to work toward best practices in management of financial, and nonfinancial, opportunities and risks. We do this because we believe it's the best way to protect and enhance the value of our clients' investments. As a natural extension of that work, we may need to escalate our efforts on a given front where we believe the mechanisms in place to mitigate risk or maximize opportunity are unsatisfactory.

Case study

Capital allocation and governance at a healthcare firm

In the spring of 2020, Manulife Investment Management sent a detailed letter to the CEO and the chair of the board of a North American healthcare firm in which we held equity. In the letter, we articulated our displeasure with what we identified as examples of poor governance oversight on behalf of the board, specifically related to poor due diligence of acquisitions and a problematic capital allocation strategy.

In this letter, we also requested a virtual meeting with the CEO and the chair, which occurred over the summer. The company subsequently provided commentary in an earnings call on some aspects we referenced in our letter and again in the meeting. They committed to tangible changes to capital allocation practices in the future. As a next step, we're looking to engage further with the firm on integrating metrics into the executive compensation plan to encourage capital discipline.

Through our escalation processes, we seek the views of our investment professionals as well as representatives from legal and compliance, as necessary; across asset classes, however, the escalation process and the stakeholders involved differ by the rights associated with each investment. We have a robust approach to escalation and are continuously trying to strengthen the program, whether in terms of efficacy of interactions, timing, or collaboration opportunities. We continue to realize positive and tangible results from our efforts.

We escalate to preserve and unlock value for our clients

We fundamentally believe in active ownership while recognizing that not all engagements will meet our predetermined objectives. Escalation is an important instrument in our active ownership tool kit that enables us to influence management teams and other stakeholders in our investments. Ultimately, escalation both preserves and unlocks value to the benefit of our clients and investors by encouraging best practices in risk mitigation and opportunity maximization.

We escalate on case-specific timeframes

As we monitor our investments, we identify issues that, if left unaddressed, may affect the value of individual investments or entire portfolios. We collaborate with management teams and other stakeholders to address these risks over time. Depending on the rate of progress, the actions taken by an issuer, and whether our engagement objectives are met within a reasonable timeframe, we may choose to escalate a matter. The time period in which we prefer to see substantial demonstratable action is generally 24 months, but we may set a longer or shorter timeframe conditional on the specific issue. We schedule semiannual check-ins to assess progress; we may decide to escalate before the timeframe ends if, for example, a management team is nonresponsive to outreach or rejects our viewpoint outright.

We tailor escalations based on the facts and circumstances

The levers at our disposal to escalate matters vary by asset class and market. For that reason, we must evaluate the appropriate course of action for a given escalation on a case-by-case basis. Regardless of asset class or geography, however, we prioritize escalations based on the materiality of the issue, time horizon of the risk being taken on by the company, and the size of our investment exposure.

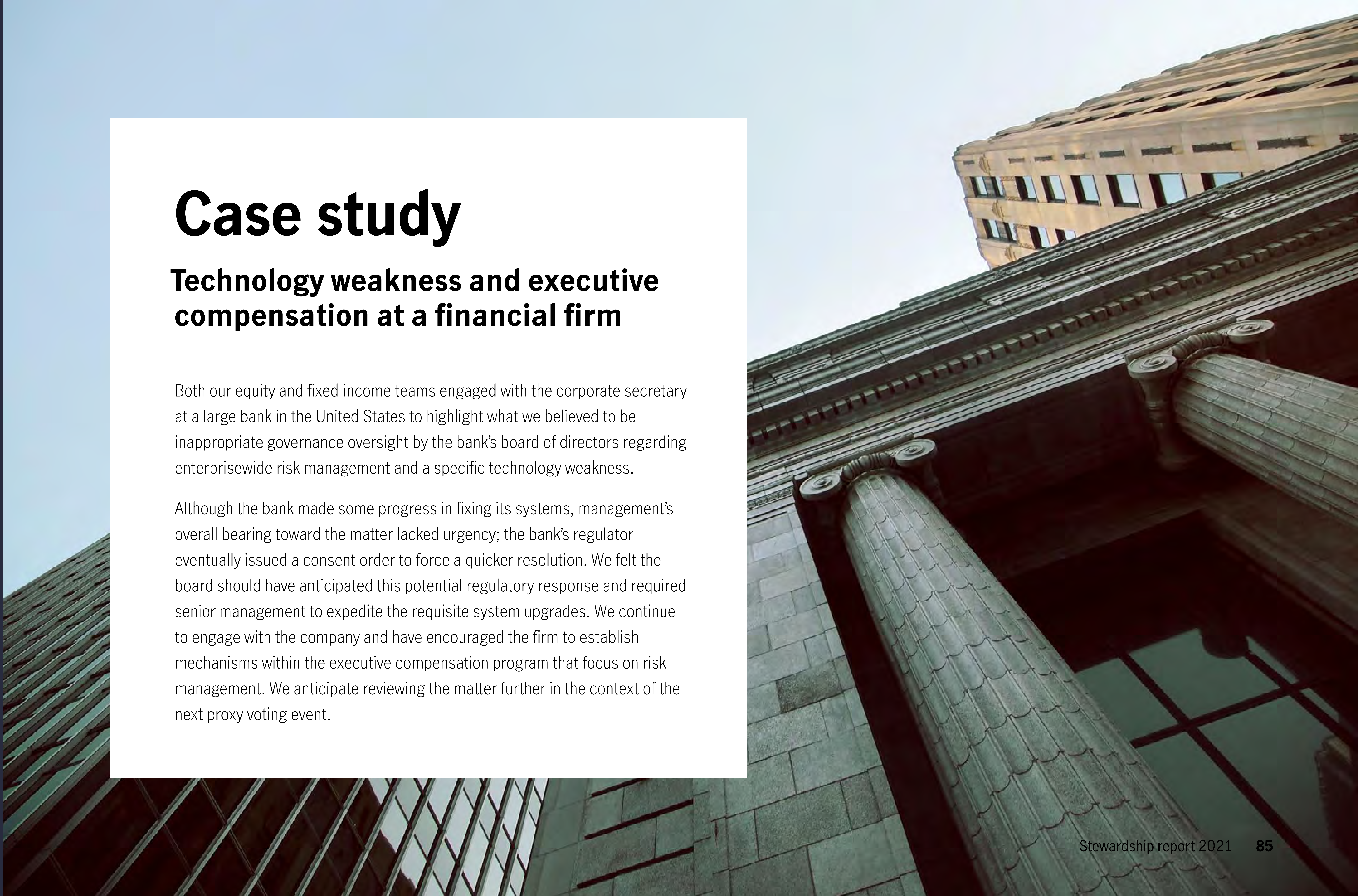
The first step in an escalation with public equity and public fixed-income issuers is most often through direct engagement with a management team or stakeholders. We may request to speak to board leaders, including the chair of the board, the lead independent director, or the chair of the audit committee. We also use the technique of sending a private letter to the board or executive leadership. Where bilateral engagement with the company is ineffective or where we own a small position, we may determine that collaboration with other like-minded investors is the appropriate avenue. Finally, if we're unable to gain traction and the company hasn't acted, we reserve the right to liquidate the position.

Case study

Emissions and target disclosure for a steel firm

Our equity investment teams have a generally favorable outlook on an emerging-market steel manufacturer in Asia due to its projected volume growth and profitability potential. We engaged with management on a broad spectrum of ESG topics over the past year and developed significant concerns regarding the issuer's lack of disclosure and targets for GHG emissions.

We decided to exit the position, in part for the company's performance on GHG disclosure, but mainly to switch to a competitor with ESG characteristics that more closely aligned with our investment philosophy. Our investment teams, however, remain open to reestablishing a position in the company and are actively working with the firm to develop robust emissions targets and to disclose in line with CDP/TCFD reporting standards.



Case study

Technology weakness and executive compensation at a financial firm

Both our equity and fixed-income teams engaged with the corporate secretary at a large bank in the United States to highlight what we believed to be inappropriate governance oversight by the bank's board of directors regarding enterprisewide risk management and a specific technology weakness.

Although the bank made some progress in fixing its systems, management's overall bearing toward the matter lacked urgency; the bank's regulator eventually issued a consent order to force a quicker resolution. We felt the board should have anticipated this potential regulatory response and required senior management to expedite the requisite system upgrades. We continue to engage with the company and have encouraged the firm to establish mechanisms within the executive compensation program that focus on risk management. We anticipate reviewing the matter further in the context of the next proxy voting event.

Escalation through our proxy voting rights

We'll escalate a matter with an issuer through our proxy vote as an expression of our dissatisfaction with public issuer progress. As examples, we may vote contrary to management recommendations on the following proposals:

- **Advisory vote on executive compensation—**We may vote against the advisory say-on-pay vote if a company isn't responsive to our concerns across a range of executive compensation issues. These may include misalignment between firm performance and executive remuneration, weak targets for executive bonus, or where we'd like to see executive performance benchmarked against different metrics.
- **Director vote—**We may vote against directors if the board is unresponsive to requests we made through engagement or if we see significant failures relative to executive compensation, board composition, audit oversight, or governance generally.
- **Shareholder proposals—**Where we've engaged with a company on a topic covered in a shareholder proposal, we may choose to escalate the matter by supporting a shareholder resolution on the same subject matter.

Fixed-income escalation

For publicly issued fixed income, our escalation must take a different approach given that bond investing carries unique ownership rights and responsibilities. Aside from bilateral engagement, we may take a collaborative engagement approach. For example, Manulife Investment Management is a member of the Credit Roundtable, an association of corporate bond market participants focused on education, outreach, and advocacy designed to give debt holders a stronger voice with debt-issuing companies.

Our fixed-income team in Asia has developed a unique approach to escalation given the market has a single primary rating agency. This team will negatively notch the issuer credit rating for failure to address a material ESG risk, which ultimately implies a lower valuation.

Case study

Ongoing engagement with a consumer staples CEO

One of our fixed-income teams continues to partner with our sustainable investing team on regular engagement with a consumer staples company on its lack of sustainability disclosures. The firm has a strong market position within the industry, but lags peers on disclosure of material environmental and social issues. After requesting dialogue with the CEO on the matter, we now have regular engagements with the CEO every six months to review the incremental progress the firm is making on disclosure. In addition, the firm recently issued its first sustainability report.

Influence in private asset classes

Our approach to escalation in private markets is on a case-by-case basis and is situation specific. In some cases, we own, or partner with others to own, substantial equity interests in companies, or are the companies' largest lender and, consequently, that gives us significant leverage in decision-making. In other cases, our control over escalating issues can be limited. When we become aware of an issue needing management, we'll engage with our investment partners to discuss the situation and voice our concerns. In our fund investments, these discussions may lead to a limited partner advisory committee (LPAC) vote.

We enter into our infrastructure investments having performed significant due diligence on the other owners and the management teams of those investments. As a result of that due diligence and planning, we seek to have clear expectations set across those parties and alignment of interests within the shareholder group. In the infrequent instance in which there is meaningful misalignment across stakeholders, we then work to propose and implement solutions. In the event that other stakeholders are not willing or able to address our concerns, we consider strategies to exit the investment and may limit the future business we engage in with those parties.

Looking ahead

We continue to review the most effective way to achieve our goals in relation to all the engagements we're undertaking, including our various approaches to escalation. In 2021, we expect to review the various escalation approaches we've adopted over time and assess their effectiveness, even as we continue working to identify the most effective approaches across the industry.

A message from Paul R. Lorentz

Stewardship and portfolio resilience

Stewardship Code principles and our practices

Exercising rights and responsibilities

Exercising rights and responsibilities

Asset manager rights and responsibilities differ across asset classes, but the central goal remains the same as we execute across our portfolios: We seek to enhance value for our clients and instill resilience across our investments.

Our approach to exercising our rights and responsibilities

Ownership rights vary significantly across asset classes: Equities carry perhaps the most prominent of investment rights in proxy voting, for example, but voting rights can also accrue to fixed-income investments as debt is converted to equity through a bankruptcy. Indeed, with fixed-income rights, influence and leverage change significantly depending on timing in the investment cycle. In private markets, our influence runs a spectrum from the right to sit on a board to the responsibility to operate assets sustainably.

Asset manager rights and responsibilities vary by asset class

Fixed income
- Monitoring
- Issuer engagement
- Collaborative engagement
- Valuation

Listed equity
- Monitoring
- Issuer engagement
- Collaborative engagement
- Proxy voting

Externally managed
- Selection
- Appointment
- Monitoring

Real estate
- Sustainable operations
- Engagement

Timber and agriculture
- Sustainable operations
- Engagement

Infrastructure
- Monitoring
- Engagement
- Board seats

Private equity
- Monitoring
- Engagement
- Board seats

Private credit
- Monitoring
- Engagement

For illustrative purposes only.

Encouraging best practices through proxy voting

Our global proxy voting policy and procedures document outlines the processes and governance structures we have in public markets to help guide our execution of proxy voting rights while also providing broad principles on our expectations regarding corporate governance, shareholder rights, and management of material sustainability risks and opportunities. As we vote proxies, we're ultimately attempting to preserve and enhance shareholder value over the long term by encouraging issuers to adopt what we've identified as best practices.

In 2020, Manulife Investment Management established a proxy voting working group to leverage functional expertise across the organization as we scrutinize voting decisions and work to improve our processes and policies going forward. Representatives from investment, legal, compliance, operations, and the sustainable investing team are members of this group, which, among its other duties, reviews situations in which an equity investment team believes we should vote differently relative to how our voting policy would dictate. These reviews have improved communication across the investment function regarding voting decisions, led to more consistent decision-making, and built subject matter expertise related to proxy voting analysis across multiple functional areas.

We're constantly looking for ways to enhance our influence over firms in which we invest. As part of that endeavor, this past year we enhanced our share-lending program to better preserve proxy voting rights. Shareholders can lose voting rights if shares are on loan during a certain period before a shareholder meeting. To remedy that, we implemented a new process that, on a best-efforts basis, restricts and recalls shares from loan during that time for issuers where we own 2% of shares outstanding or more. We believe this strikes a balance between generating additional revenue from lending for our client funds and ensuring we hold our rights where we have significant influence.

On an annual basis, we also review the proxy voting principles that drive our voting decisions. We keep pace with the evolution of proxy voting and expectations regarding corporate governance, and we seek to keep our practices current with best practices. We also engage with our proxy voting research and services vendor to aid us in our effort to encourage outcomes that preserve and enhance share value over the long term.

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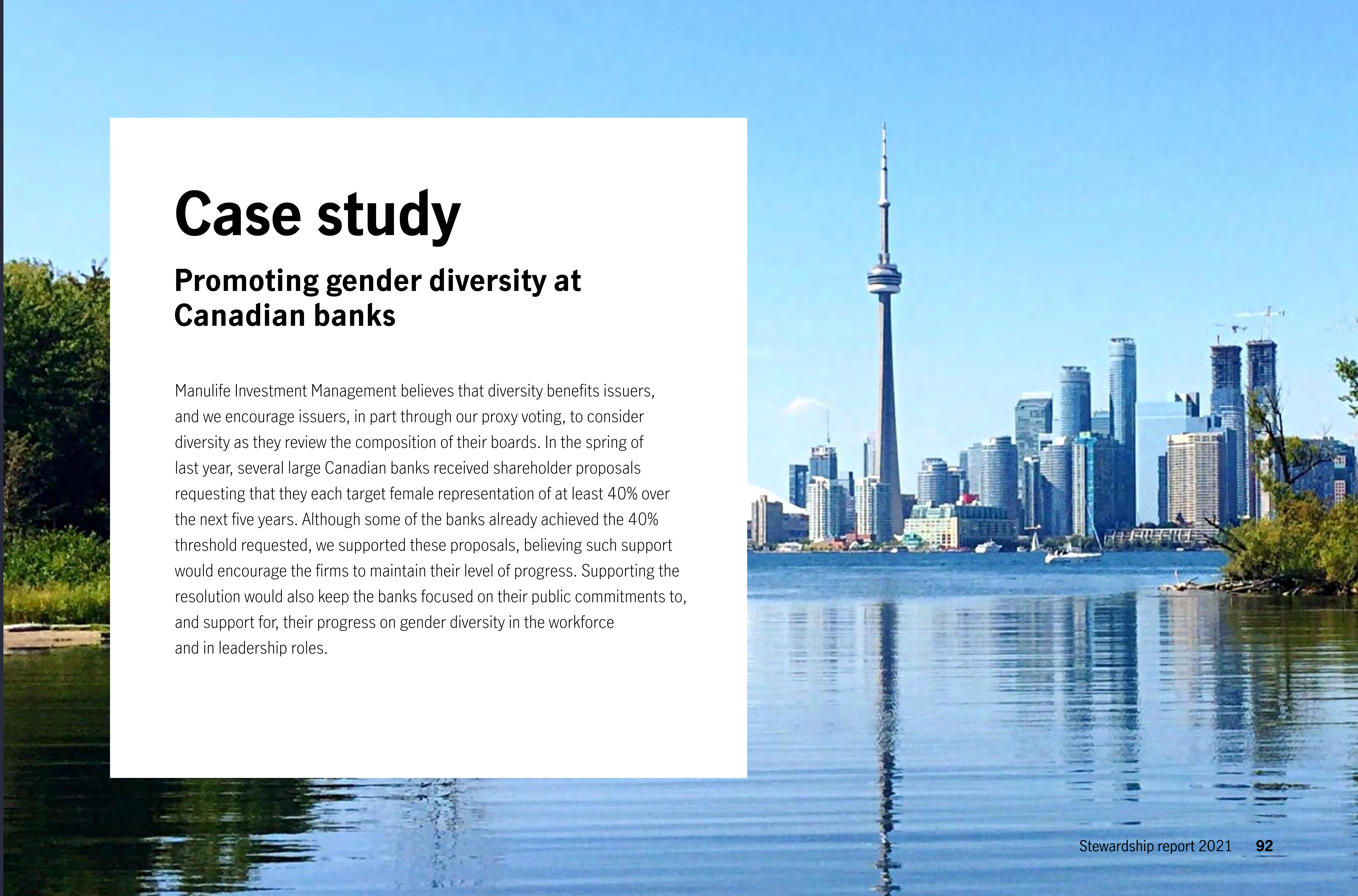

Case study

Promoting gender diversity at Canadian banks

Manulife Investment Management believes that diversity benefits issuers, and we encourage issuers, in part through our proxy voting, to consider diversity as they review the composition of their boards. In the spring of last year, several large Canadian banks received shareholder proposals requesting that they each target female representation of at least 40% over the next five years. Although some of the banks already achieved the 40% threshold requested, we supported these proposals, believing such support would encourage the firms to maintain their level of progress. Supporting the resolution would also keep the banks focused on their public commitments to, and support for, their progress on gender diversity in the workforce and in leadership roles.

Previous Next

Selected proxy voting data 2020

In 2020, Manulife Investment Management voted on a total of over 84,000 proposals across more than 8,800 shareholder meetings globally.

Management proposals

Proposal category	Number of proposals	Votes contrary to management	Some reasons we voted contrary to management
Director elections	51,080	9%	• Poor attendance • Lack of independence • Diminishment of shareholder rights • Lack of gender diversity • Problematic executive remuneration practices
Executive compensation (say on pay)	4,375	14%	• Misalignment between pay and performance • Lack of performance-based remuneration • Short vesting periods • Lack of rigor in performance metrics • Outsize pay versus peers • Discretionary payments • Problematic severance arrangements

Information shown reflects proposals most often requested by clients and third parties. For full data, see our voting records.

Shareholder proposals on environmental issues

Proposal category	Number of proposals	Votes contrary to management	Some reasons we voted contrary to management
Climate change action and reporting on climate change	33	55%	Disclosure would help shareholders assess governance and strategy related to management of physical and transition risks associated with climate change
Community—environmental impact	11	64%	• Reporting would help assess management of deforestation risks in the supply chain • Reporting would provide information regarding regulatory and other risks associated with the continued use of single-use plastics
GHG emissions	8	38%	Disclosure would help assess company strategy in the face of increasing costs associated with emissions

Information shown reflects proposals most often requested by clients and third parties. For full data, see our voting records.

Shareholder proposals on social issues

Proposal category	Number of proposals	Votes contrary to management	Some reasons we voted contrary to management
Human rights[5]	18	61%	Reporting would help shareholders assess human rights risks in operations and the supply chain
Gender/racial pay gap	13	23%	Poor current disclosure on diversity and inclusion initiatives toward equal pay
Product toxicity and safety	5	40%	Additional disclosure would help assess company strategy to mitigate risks associated with toxic chemicals in the supply chain

Information shown reflects proposals most often requested by clients and third parties. For full data, see our voting records.

5 Specific issues addressed included human rights risk assessments and improving human rights standards or policies.

Shareholder proposals on governance issues

Proposal category	Number of proposals	Votes contrary to management	Some reasons we voted contrary to management
Require independent board chair	49	60%	• Recent failures suggest independent oversight is needed at the board level • Role of lead independent director is undefined • Company continues to underperform and hasn't responded to low support for remuneration
Lobbying and political contributions	60	88%	• Current disclosure is inadequate to assess risks and benefits of firm lobbying activities • Disclosure would allow shareholders to assess alignment between trade associations and current firm initiatives
Board diversity	13	54%	Current board composition lags peers
Link executive pay to ESG criteria	11	45%	• Public concern over pricing poses reputational risk that should be considered in compensation • Risk related to public and regulatory scrutiny over privacy protections should be reflected in remuneration

Information shown reflects proposals most often requested by clients and third parties. For full data, see our voting records.

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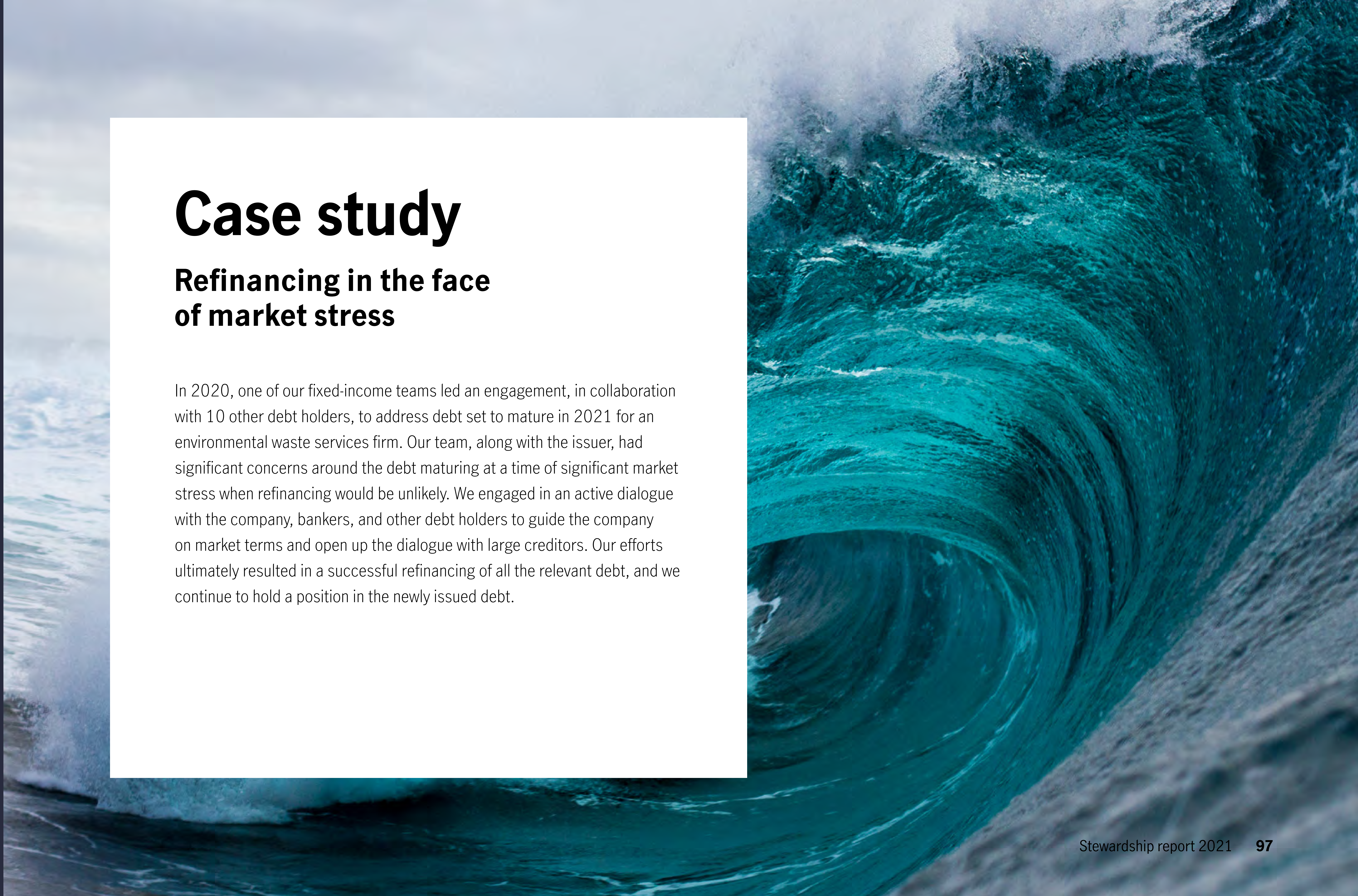

Case study

Refinancing in the face of market stress

In 2020, one of our fixed-income teams led an engagement, in collaboration with 10 other debt holders, to address debt set to mature in 2021 for an environmental waste services firm. Our team, along with the issuer, had significant concerns around the debt maturing at a time of significant market stress when refinancing would be unlikely. We engaged in an active dialogue with the company, bankers, and other debt holders to guide the company on market terms and open up the dialogue with large creditors. Our efforts ultimately resulted in a successful refinancing of all the relevant debt, and we continue to hold a position in the newly issued debt.

Previous Next

Timing of rights in fixed income

As fixed-income investors, our rights differ depending on when we hold a bond within its lifecycle. Our global fixed-income teams regularly review prospectus and transaction documents as part of their initial due diligence, ongoing risk monitoring, and credit research processes. This provides them with an evolving view on which improvements to instrument characteristics might benefit debt holders.

As an example, in the syndication process, our teams offer feedback on terms, conditions, and covenants that would make the investment offer more attractive for our clients, and this dialogue can result in covenant changes. By engaging with companies when they need to fund-raise, we can also influence those issuers to commit to adopt best practices in sustainable risk mitigation. Finally, through credit events, we may also have the opportunity to renegotiate terms or may emerge from the event with equity and voting rights that we exercise to protect our interests. Ultimately, we aim to strategically time our engagements in order to maximize our influence.

We continue to build our influence over debt issuers and are finding that bondholders may be underusing their rights to advance sustainable outcomes. We've heard from some issuers, for example, that they're generally not engaged by debt holders on sustainability risks and opportunities and can be surprised when we approach them. This feedback is encouraging to us, and we've learned that firms are receptive to our feedback as debt holders.

Partnerships in private markets

Our rights and responsibilities in private markets can range from direct management of an asset, as with timber, agriculture, and real estate, to the establishment of partnerships with fellow investors, lenders, sponsors, and management, to seats on boards. We tailor our activities to each asset class and, more specifically, to each role we hold.

Considering our infrastructure investments as an example, our investment team typically seeks to monitor and influence an investment through a board seat, protective controls, and governance—or a combination of these. These rights enable the investment team to exert influence or veto power regarding key decisions made with respect to a company's commercial or financial operations, as well as management and oversight of relevant sustainability risks and opportunities. Board seats, in particular, allow us to engage directly in the activities of a given investment.

In some of our investments that don't have boards, we participate in key decisions as a member of the investment company or as a member of the LPAC; this gives our team access to all key decision makers at the ownership and management levels. When holding a seat on an LPAC, we may specifically review matters, including conflicts of interest and waivers of limited partnership restrictions. Although we may be one investor as part of a consortium, most significant decisions are made at the board or member level with the full support of all parties.

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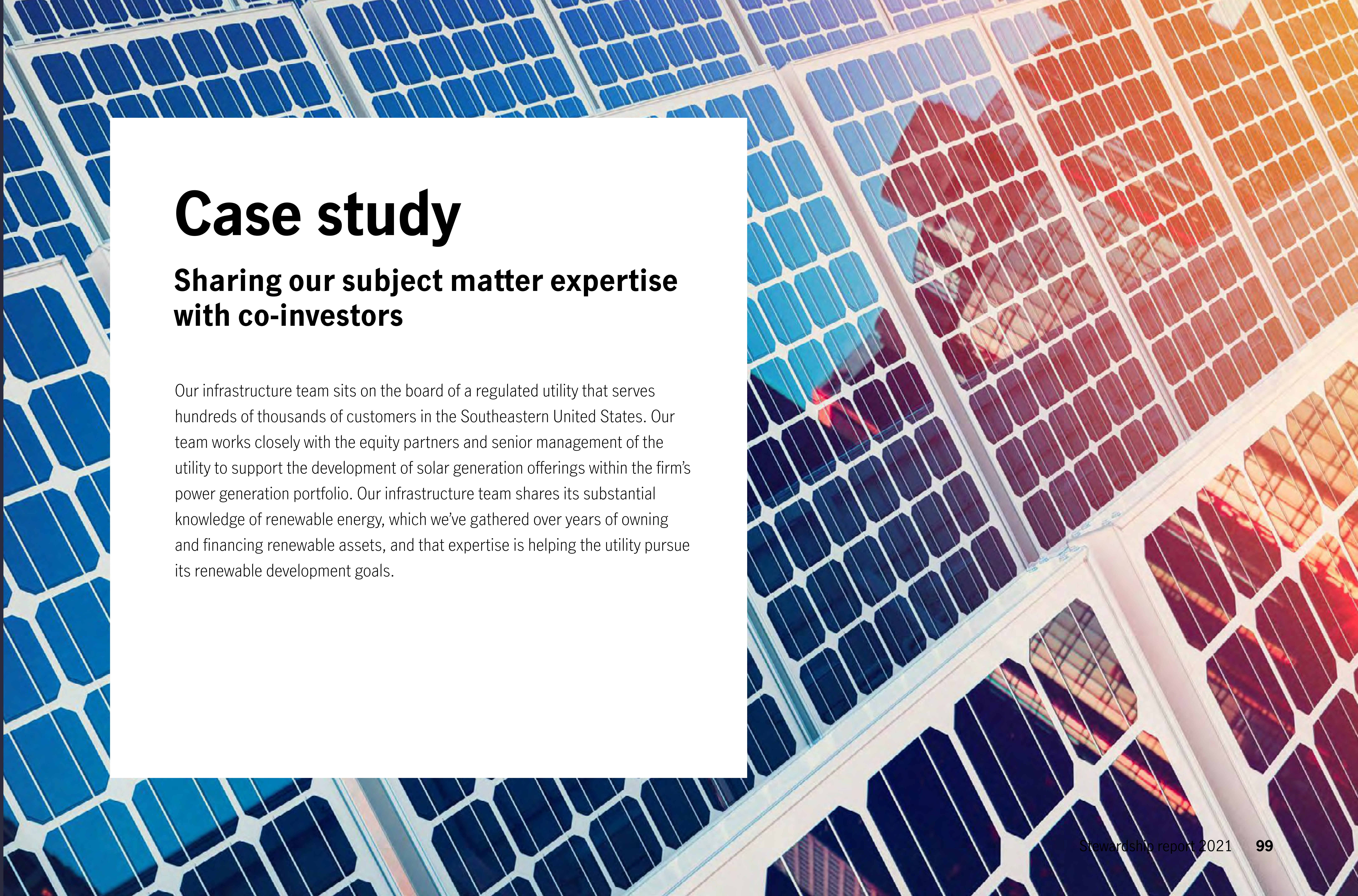

Case study

Sharing our subject matter expertise with co-investors

Our infrastructure team sits on the board of a regulated utility that serves hundreds of thousands of customers in the Southeastern United States. Our team works closely with the equity partners and senior management of the utility to support the development of solar generation offerings within the firm's power generation portfolio. Our infrastructure team shares its substantial knowledge of renewable energy, which we've gathered over years of owning and financing renewable assets, and that expertise is helping the utility pursue its renewable development goals.

Previous Next

Looking ahead

We note the changing regulatory landscape around the globe, and we anticipate reviewing our approach to proxy voting in 2021 in that light. We also anticipate reviewing our engagement planning—noting that we've had some success in fixed income in carefully planned engagement aligned to new issuance—in order to maximize our impact.

Manulife Investment Management

A widespread health crisis such as a global pandemic could cause substantial market volatility, exchange-trading suspensions and closures, and affect portfolio performance. For example, the novel coronavirus disease (COVID-19) has resulted in significant disruptions to global business activity. The impact of a health crisis and other epidemics and pandemics that may arise in the future could affect the global economy in ways that cannot necessarily be foreseen at the present time. A health crisis may exacerbate other preexisting political, social, and economic risks. Any such impact could adversely affect the portfolio's performance, resulting in losses to your investment

Investing involves risks, including the potential loss of principal. Financial markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. These risks are magnified for investments made in emerging markets. Currency risk is the risk that fluctuations in exchange rates may adversely affect the value of a portfolio's investments.

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Manulife Investment Management is the global wealth and asset management segment of Manulife Financial Corporation. We draw on more than a century of financial stewardship to partner with clients across our institutional, retail, and retirement businesses globally. Our specialist approach to money management includes the highly differentiated strategies of our fixed-income, specialized equity, multi-asset solutions, and private markets teams—along with access to specialized, unaffiliated asset managers from around the world through our multimanager model.

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